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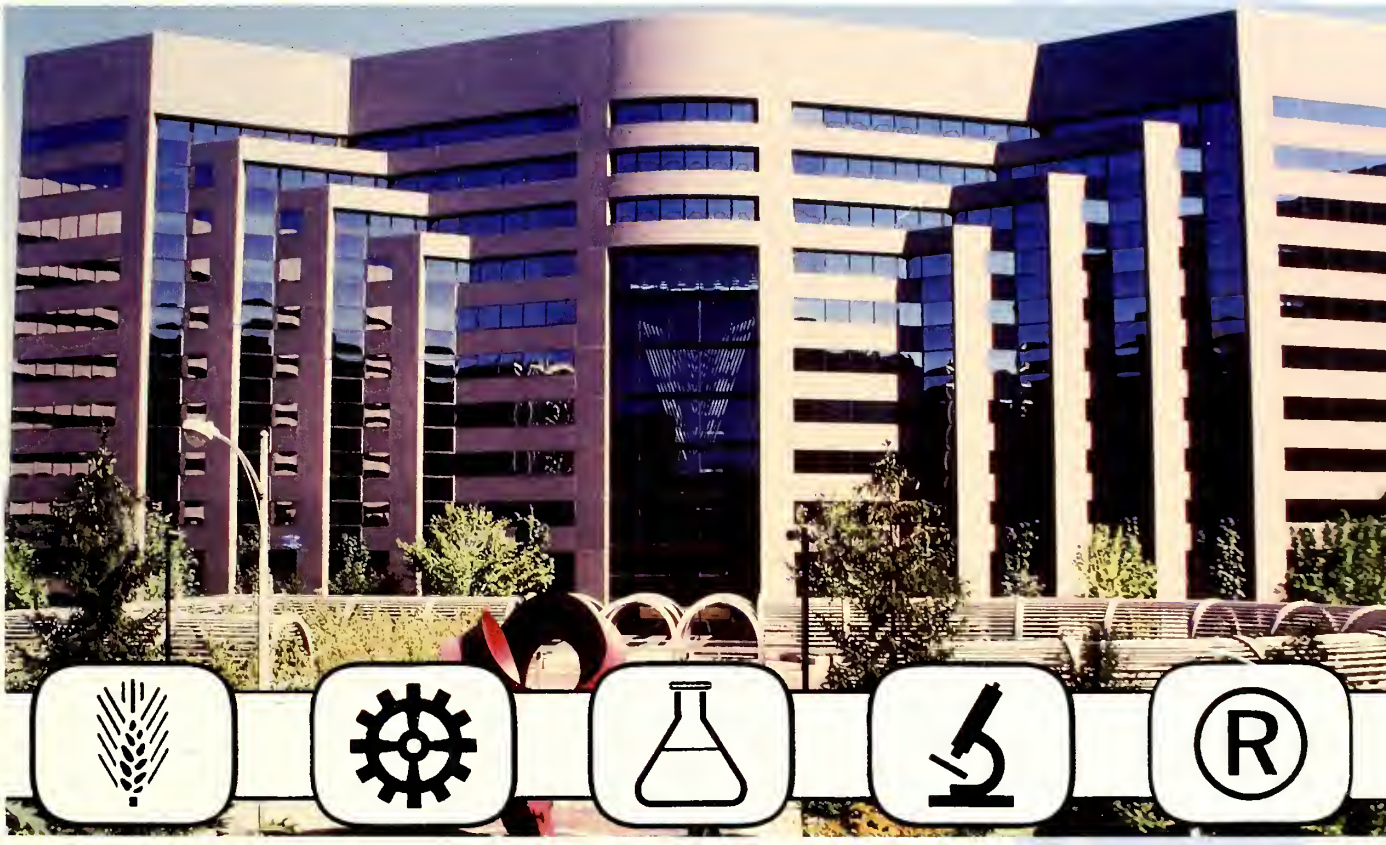
WORKING FOR OUR CUSTOMERS

A Patent and Trademark Office Review



FISCAL YEAR 1994

U.S. DEPARTMENT OF COMMERCE • PATENT & TRADEMARK OFFICE •

THIS VOLUME CONTAINS:

Commissioner's Annual Review
Chief Financial Officer's Financial Statement
Government Performance and Results Act Performance Plan

WORKING FOR OUR CUSTOMERS

A Patent and Trademark Office Review

PATENT AND TRADEMARK MISSION:

The PTO promotes industrial and technological progress in the United States and strengthens the national economy by:

- *Administering the laws relating to patents and trademarks.*
- *Advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection.*
- *Advising the Secretary of Commerce, the President of the United States, and the Administration on the trade-related aspects of intellectual property.*

U.S. Department of Commerce
Ronald H. Brown, Secretary

U.S. Patent and Trademark Office
Bruce A. Lehman, Assistant Secretary of Commerce
and Commissioner of Patents and Trademarks

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MESSAGE FROM THE COMMISSIONER

American technological advancement can only begin in one place — in the minds of our thinkers and creators. To support and cultivate this creative genius, the PTO must ensure strong intellectual property protection for all Americans in the global market place of today.

The importance of effective intellectual property protection worldwide has created new challenges and opportunities for the PTO. This year the PTO was involved in many policy initiatives to strengthen protection for intellectual property. By entering into negotiations and agreements with our international counterparts, the PTO seeks to play a leadership role in the development of a creative environment that promotes open markets, healthy competition and strong intellectual property protection.

Defining a leadership role in this area places significant responsibility on the PTO to create a world class organization that sets the standards for quality patent and trademark operations as well as sound financial performance. In 1994, rising consumer demand and increased patent maintenance fee collections contributed to total revenue of $544 million, an increase of nearly 10 percent from the prior year. Total expenses climbed by 6 percent to $485 million. At the end of the fiscal year, total assets approached $337 million, and liabilities totaled $235 million.

We at the PTO remain focused on providing effective and efficient patent and trademark service to our customers. Emphasis remains on reducing both patent application and trademark application pendency, and modernizing our operations. Although many improvements were made, there is more to be accomplished. In 1994, the trademark program area struggled with processing delays in the pre-examining and pre-publication areas. With a supportive and dedicated staff, we expect to reduce these delays significantly in fiscal year 1995.

Fiscal year 1995 will no doubt present the PTO with its share of challenges and opportunities. Armed with a clear strategic plan and a diverse and expert staff, we will continue to provide the intellectual property protection.

Bruce A. Lehman
Assistant Secretary of Commerce
and Commissioner of Patents and Trademarks

EXECUTIVE SUMMARY

FINANCIAL HIGHLIGHTS

Financial Results

As of September 30
($ in millions)

	1994	*1993*	*1992 (unaudited)*
Total Revenue	543.7	493.6*	414.7
Total Expenses	485.4	456.9*	349.7
Excess of Revenues over Expenses	58.3	36.7*	65.0
Total Assets	337.1	250.7	212.0
Total Liabilities	234.9	201.7	194.8
Net Position	102.2	49.0	17.2
Financial Ratios			
Current Ratio	1.44	1.24	1.06
Fixed Asset Ratio	0.15	0.17	0.17
Revenue per FTE (in dollars)	$109,247	$100,925	$90,372
APPLICATION RECEIPTS AND PENDENCY			
Patent — Utility, Plant & Reissue (UPR) Application Receipts	186,123	174,553	172,539
Design Receipts	15,431	13,546	12,907
Patent Pendency (UPR) (in months)	19.0	19.5	19.1
Trademark Application Receipts	155,376	139,735	125,237
Trademark Pendency (in months to registration/abandonment)	16.3	14.4	15.1

**unaudited*

EXECUTIVE SUMMARY

During fiscal year 1994 we made significant strides in achieving our goals in many areas. In implementing our new reorganization and putting the customer responsive process to work some temporary slippages have occurred but these are being addressed and we are confident that movement in a positive direction is imminent.

- International agreements have moved ahead indicating some major changes in U.S. patent law and practice as defined by passed legislation and pending legislation, e.g. a twenty year patent term and 18-month publication of patent applications. National Information Infrastructure (NII) work is progressing with a final report on intellectual property issues due out in fiscal year 1995.

- In fiscal year 1994, 201,554 applications were received for U.S. patents and 113,268 U.S. patents of all types were granted.

- In fiscal year 1994, 155,376 applications were received for federal trademarks with registration of 68,853 trademarks across all classes of goods and services.

- We are addressing in concrete ways the needs of our customers, both within and outside the Patent and Trademark Office.

- In fiscal year 1994 the Patent and Trademark Office realigned its organizational structure.

- Reinventing Government became a reality in the Patent and Trademark Office with projects underway or planned in our Office of Business Process Reengineering.

- The Patent and Trademark Office continues to enhance its automated search and retrieval systems for patent and trademark examination as well as fully automating its patent and trademark copy ordering system.

- The Patent and Trademark Office has improved its recruitment, educational, and community outreach programs.

Shown top to bottom:
1994 Presidential appointee, Michael K. Kirk, Deputy Assistant Secretary of Commerce and Depnty Commissioner of Patents and Trademarks; Lawrence J. Goffney, Jr., Assistant Commissioner of Patents, and Philip G. Hampton II, Assistant Commissioner of Trademarks.

OUR BUSINESS: AN INTRODUCTION

For over 200 years, the basic role of the Patent and Trademark Office (PTO) has remained the same—to promote the progress of science and the useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries (Article 1, Section 8 of the United States Constitution). Under this system of protection, American industry has flourished. New products have been invented, new uses for old ones discovered, and employment opportunities created for millions of Americans.

The PTO is a non-commercial federal entity and one of 14 bureaus in the Department of Commerce (DOC). The office occupies a combined total of 1,480,763 square feet, in 15 buildings in Arlington, Virginia and three warehouse storage facilities located in Boyers, Pennsylvania, Newington and Springfield, Virginia. In fiscal year 1994, the office employed 4,977 full time equivalent staff (FTE) to support its major functions—the examination and issuance of patents and the examination and registration of trademarks.

The PTO has evolved into a unique government agency. Since 1991—under the Omnibus Budget Reconciliation Act (OBRA) of 1990—the PTO has operated in much the same way as a private business, providing valued products and services to our customers in exchange for fees which are used to fully fund our operations. The primary services we (the PTO) provide include processing patents and trademarks and disseminating patent and trademark information.

Through the issuance of patents, we encourage technological advancement by providing incentives to invent, invest in, and disclose new technology worldwide. Through the registration of trademarks, we assist businesses in protecting their investments, promoting goods and services and safeguarding consumers against confusion and deception in the marketplace. By disseminating both patent and trademark information, we promote an understanding of intellectual property protection and facilitate the development and sharing of new technologies worldwide.

PTO programs are conducted under the following principal statutory authorities:

- *15 U.S.C. 1051-1127 contains provisions of the Trademark Act of 1946 that govern the administration of the trademark registration system of the Patent and Trademark Office.*
- *15 U.S.C. 1511 states that the Patent and Trademark Office is under the jurisdiction and supervision of the Department of Commerce.*
- *35 U.S.C. contains basic authorities for administration of patent laws, derived from the Act of July 19, 1952, and subsequent enactment. Revenues from fees are available to the Commissioner to carry out, to the extent provided for in appropriations acts, the activities of the Office. The Patent and Trademark Office is authorized to charge international fees for activities undertaken pursuant to the Patent Cooperation Treaty. Deployment of automated search systems of the Office to the public is authorized.*
- *44 U.S.C. 1337-1338 contains authority to print patents, trademarks, and other matters relating to the business of the Office.*

In 1994 the PTO was reorganized into six functions:

Assistant Secretary of Commerce and Commissioner of Patents and Trademarks
Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks
Assistant Commissioner for Patents
Assistant Commissioner for Trademarks
Associate Commissioner and Chief Financial Officer
Chief Information Officer

1994 HIGHLIGHTS

INTELLECTUAL PROPERTY PROTECTION

Playing a leadership role in intellectual property protection is a top priority of the PTO. Strong intellectual property protection translates not only into protection of valuable inventions and investments, but also improved competitiveness and economic growth for America. In order to ensure that our creators and inventors will receive the best protection both here and abroad, the PTO continues to work toward improving both the global intellectual property arena and our own national patent and trademark protection programs.

Policy Initiatives

Fiscal year 1994 was marked by major developments in intellectual property protection:

Agreement on the Trade-Related Aspects of Intellectual Property (TRIPS)

The TRIPS Agreement is one of several agreements negotiated in the Uruguay Round of Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade (GATT). The TRIPS Agreement establishes intellectual property protection standards for the more than 110 countries that participate in the GATT. One of the most important requirements of the TRIPS Agreement requires the United States to introduce legislation that would adopt a twenty-year patent term measured from the date of filing of the patent application. The GATT implementing legislative package was introduced in the Congress at the end of fiscal year 1994.

U.S.-Japan Letters of Agreement

The U.S.-Japan Letters of Agreement, signed by Commerce Secretary Ronald H. Brown and Japanese Ambassador Takakazu Kurizama on August 16, 1994, requires the PTO to introduce legislation to expand the grounds for requesting patent reexaminations, to permit increased participation by third parties in reexaminations, and to provide for the publication of patent applications. The Japanese Patent Office will eliminate dependent patent compulsory licenses. The Patent Application Publication Act was introduced in the Congress on September 30, 1994.

National Information Infrastructure (NII)

The PTO is involved in the creation of a new era in information dissemination through the NII—more commonly referred to as the information superhighway. Assistant Secretary and Commissioner Bruce A. Lehman chairs the Working Group on Intellectual Property Rights under the White House Information Infrastructure Task Force. On July 7, 1994, the Task Force released a preliminary draft of the working group's report entitled the "Intellectual Property and the National Information Infrastructure." The final report is due out in 1995.

As a demonstration of the important ways in which the Administration's NII can improve people's lives, in 1994, the PTO worked to place the full text and images of almost 1,500 AIDS-related patents on the Internet. By putting the AIDS-related patents on the Internet, we hope to assist the research community in combating the spread of the deadly disease. The AIDS patent database is available on the Internet World Wide Web and also through an electronic mail gateway. Internet users with access to a World Wide Web client should open the URL http://www.uspto.gov.

Continuing Intellectual Property Protection Efforts

Our efforts include: continuing the negotiation of the Trademark Law Treaty, a Protocol to the Berne Convention for the Protection of Literary and Artistic Works and a new instrument on the protection of the rights of performers and producers of sound recordings; working with the National Economic Council to strengthen the protection of intellectual property in the United States; providing legal/technical advice on the intellectual property laws of other countries for implementation of "Special 301" trade actions, for determinations regarding the Generalized System of Preferences, and for negotiation of bilateral investment and economic treaties, intellectual property agreements and science and technology agreements.

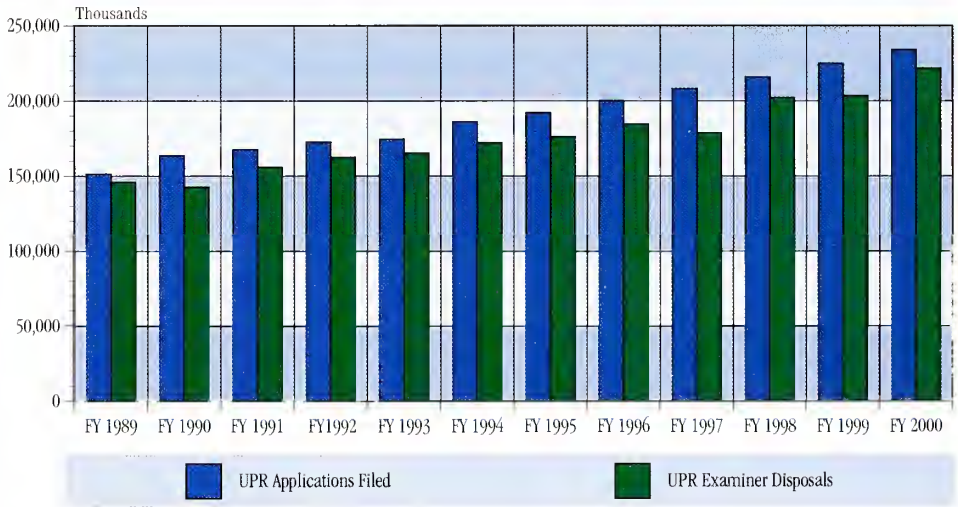
Patent Protection and Dissemination Programs

The rapid advancement and innovation of technology today requires a patent protection system that is swift and adaptable to the needs of individual inventors, small businesses and multinational corporations. The efficiency and effectiveness of the patent system continues to be improved as a result of our goal to reduce patent pendency and to modernize our operations.

Patent Applications

In fiscal year 1994, we received a record number of patent applications totaling 201,554. Of this number, 186,123 were utility, plant and reissue (UPR) patent applications, and 15,431 were design applications. The total number of applications received in fiscal year 1994 represented an increase of 13,455 above the number of applications received in fiscal year 1993.

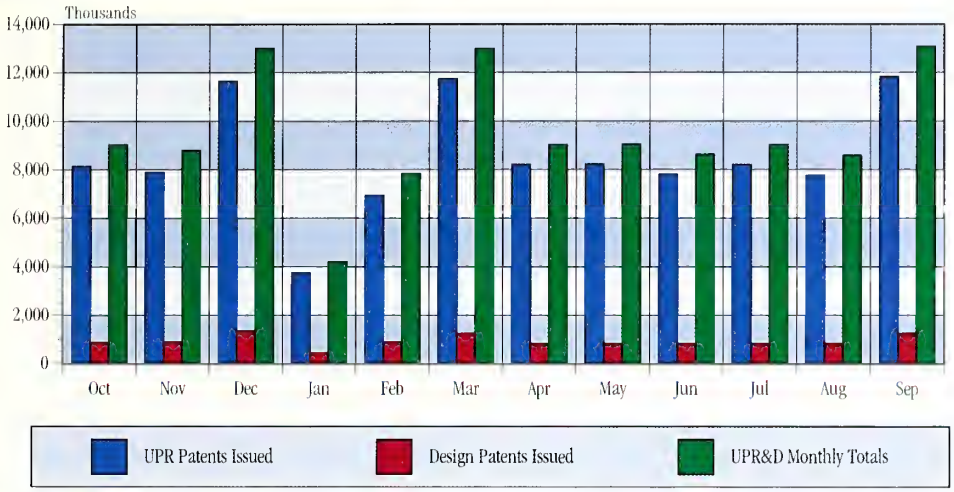
Patent Applications and Production (Examiner Disposals)



Patents Issued

Our ability to maintain quality examination and productivity resulted in the issuance of 113,268 patents in fiscal year 1994. This number represents 102,130 UPR patents and 11,138 design patents. The overall increase in patents issued in fiscal year 1994 over fiscal year 1993 was 5,936.

Number of Patent Applications Issued in Fiscal Year 1994



Patent Pendency

Even with this influx of patent applications, we were able to continue to reduce our overall pendency rate for UPR patent applications from 19.5 months in fiscal year 1993 to 19.0 months in fiscal year 1994. Additionally, the average design pendency was reduced from 25.5 months in fiscal year 1993 to 21.2 months by the end of fiscal year 1994. Patent pendency was also reduced in specific emerging technologies and technology areas experiencing rapid growth. In particular, pendency for the computer technology area was reduced from 28.5 months in fiscal year 1993 to 26.5 months in fiscal year 1994. In the biotechnology area, patent pendency was reduced from 22.2 months in fiscal year 1993 to 20.8 months by the end of fiscal year 1994.

GPRA Performance Measures

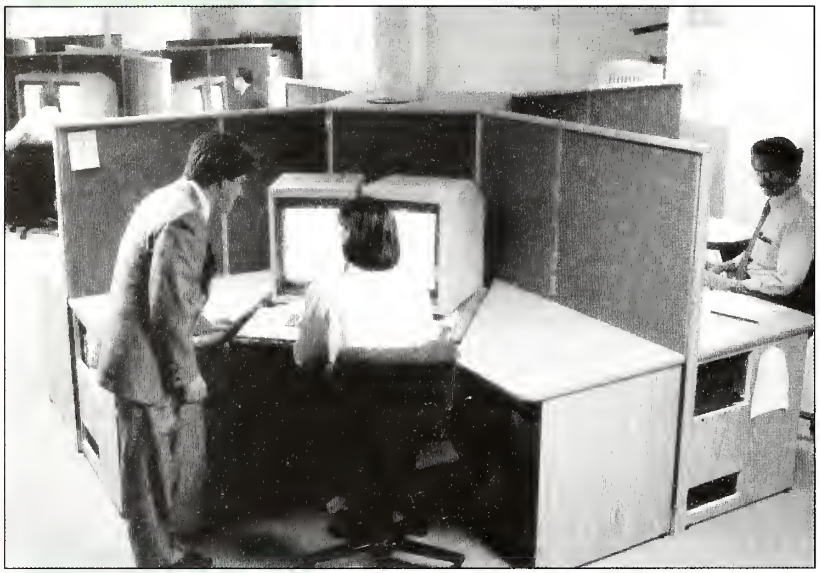
The Government Performance and Results Act (GPRA) of 1993 (discussed in detail on page 17) requires federal agencies to establish measures of performance which will provide a means of gauging program performance and accountability. The PTO, which volunteered to participate in a pilot project under Phase I of GPRA, established the following GPRA performance measures for the patent program area:

	UPR Applications		*Design Applications*	
Performance Measures:	*Plan*	*Actual*	*Plan*	*Actual*
Patent Applications Filed	179,000	186,123	14,500	15,431
Patents Issued	102,000	102,130	11,000	11,138
Patent Pendency	19.6	19.0	22.0	21.2

Total Certified Copies of All Types of Patents	108,978
Orders for Patent Copy Sales	955,195

Supplier Project

A limited pilot program was begun in fiscal year 1994 addressing the pre-office action interview by the examiner of the applicants and/or their attorney/agent. This pilot program is intended to communicate and resolve issues which, if left unresolved, may become part of an office action and delay allowance of the application by the examiner. The first part of the pilot program will continue into fiscal year 1995. The PTO hopes that this pilot program will ultimately result in a decrease in the number of office actions per application, and in swifter prosecution of the application. During fiscal year 1994, this pilot program was identified, along with other customer focus projects, for inclusion as a patent program reengineering initiative.



Patent Restoration

Under 35 United States Code, section 156, Extension of Patent Terms, the terms of certain patents may be extended up to five years. Through fiscal year 1994, the Office received 268 applications for patent term extensions and issued 196 certificates of patent term extension. Of the 196 certificates issued, 167 involved patents covering human drug products, 19 involved patents for medical devices, three involved patents for food additives, and seven involved patents covering animal drug products. Still pending are 32 requests for patent term extensions.

Reexamination

During fiscal year 1994, the PTO received 379 reexamination requests. Of these 379 requests, 77 were known to be in litigation. A substantial new question of patentability was found, and reexamination ordered, in 339 cases. The Office denied reexamination in 30 cases. Reexamination was completed and certificates issued in 309 cases. Of those completed, patentability of all patent claims was confirmed in 83 cases. Claims were modified or added and patentability was confirmed on some existing, modified, or added claims in 207 cases. All claims were canceled in 19 cases.

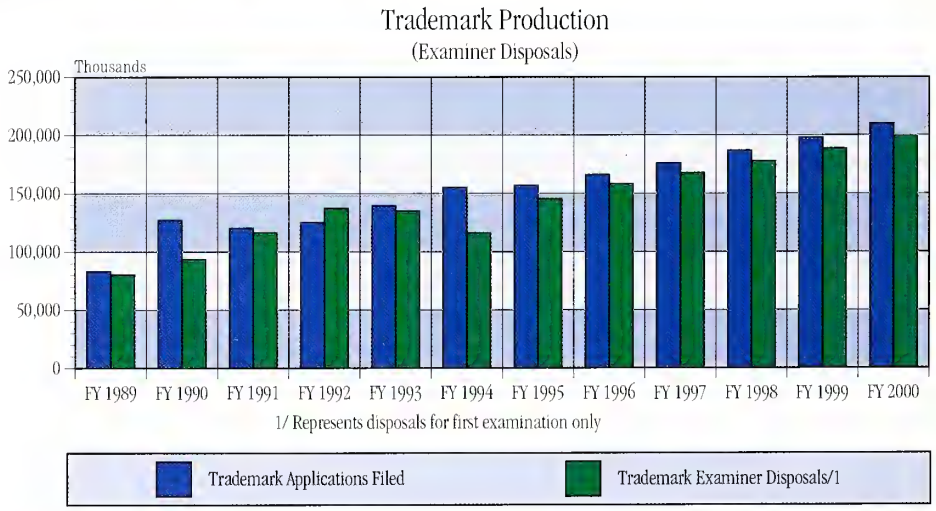
Trademark Protection and Dissemination Programs

As the value of trademarks becomes increasingly more important to industry, the PTO continues to receive greater influxes of trademark applications.

Trademark Applications

In fiscal year 1994, we received 155,376 trademark applications—an 11 percent increase over the 1993 filing level of 139,735. The number of trademark application filings continues to increase each year at rates higher than anticipated since the enactment of Intent-to-Use legislation in 1989. This legislation relaxed the requirements for filing an application from actual use of the mark in commerce to include a bona fide intent to use the mark in commerce. Since fiscal year 1989, the trademark application workload has increased approximately 87 percent, while fiscal year 1994 staffing levels for the trademark process exceed those of fiscal year 1989 by only 51 percent.

Trademark Applications and Production (Examiner Disposals)



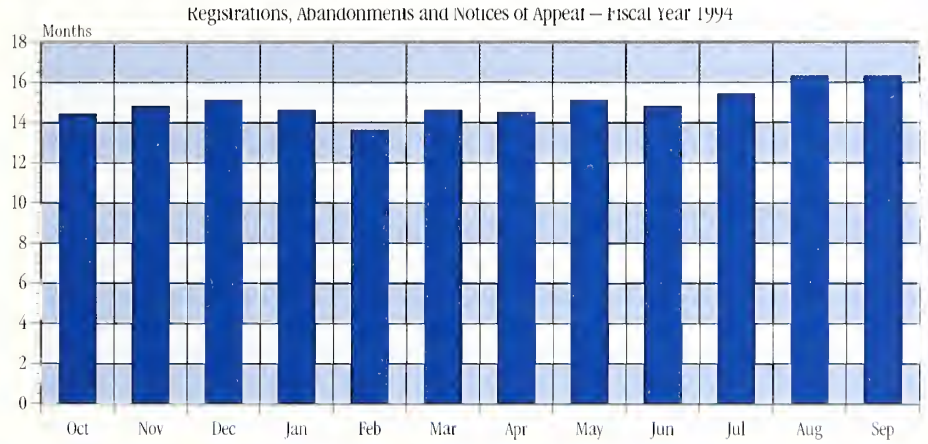
Trademarks Registered

The number of certificates of registration for trademark applications, including extra classes, issued during fiscal year 1994 was 68,853. In fiscal year 1993, total registrations with extra classes were 86,122.

Trademark Pendency

Fiscal year 1994 was a year of major change in the Trademark Operation. The entire operation was reorganized to offer trademark applicants one stop customer service. All operations, from receipt and processing of incoming mail to preparation for publication for opposition and placement on the trademark register, are now assigned to the Assistant Commissioner for Trademarks. The implementation of this reorganization and an unusually high number of new applications filed (155,376) has had the temporary effect of increasing pendency to 5.2 months from filing to first office action and 16.3 months to registration. Once the efficiencies of the new organization and work processes are in place, pendency is expected to begin to move toward goal levels.

Trademark Pendency to Registrations, Abandonments and Notices of Appeal — Fiscal Year 1994



GPRA Performance Measures

The Government Performance and Results Act (GPRA) of 1993 (discussed in detail on page 17) requires federal agencies to establish measures of performance which will provide a means of gauging program performance and accountability. The PTO, which volunteered to participate in a pilot project under Phase I of GPRA, established the following GPRA performance measures for the trademark program area.

Performance Measures:	*Plan*	*Actual*
Trademark Applications Filed	148,000	155,376
Trademarks Registered (classes)	90,300	68,853
First Action Pendency	3.0 months	5.2 months
Registration/Abandonment Pendency	13.8 months	16.3 months

Total Certified Trademark Copies[1]	35,532
Orders for Trademark Copy Sales	25,641

[1]Includes certified status copies processed by the trademark operation.

QUALITY IS CUSTOMER SATISFACTION

The products and services we provide are only as good as the level of customer satisfaction they inspire. On any given day, thousands of individuals from around the world request our products and services. Our goal is to ensure that each and every one of these customers receive 100 percent customer satisfaction 100 percent of the time.

Meeting Customer Needs

"Okay," said the moderator, "let's start by switching hats. Forget names, rank, and GS levels. Today, you're an attorney and you're talking about an application you have filed with the PTO. What do you need and expect from the PTO during the prosecution of that application?" "High quality in the post-registration process," responded a trademark employee. "Timeliness," exclaimed one. "A staff that is responsive to my questions, to the things that I need," said another, while heads nodded around the room.

On February 18, 1994 a group of employees were asked to change roles for the morning and think of themselves not as workers, but rather as customers who expect quality service in every interaction they have with the PTO. This was the first in a series of self-analysis workshops conducted by our Center for Quality Services. The purpose of these workshops was to give employees a fresh perspective on the agency's primary goals and responsibilities, while helping them to gain a better understanding of their customers' needs.

In fiscal year 1994, the Center for Quality Services spearheaded various self-analysis workshops and nationwide customer focus sessions to determine customer needs and the current level of satisfaction with the kind and quality of our services. As a result of these feedback sessions, service standards were set throughout the PTO that clearly identify and define the needs of our customers. Employees have initiated new, innovative ways to meet and anticipate the needs of our users, while renewing the focus on complete customer satisfaction to both our internal customers — PTO employees — and our external customers — the patent and trademark users and stakeholders. By continually assessing and monitoring the needs of our customers, we strive to be attuned and responsive to the demands and expectations of those who support our daily operations.

ACTIONS FOR IMPROVING CUSTOMER SERVICE

- Train our employees to better understand their roles in providing you with quality products and services.
- Critically evaluate and change current patent and trademark processes to increase quality, integrity, customer service, and cost savings.
- Research the best business practices used by successful federal and private organizations and adapt them PTO operations.
- Improve communications with you by using voice mail and facsimile machines. In addition, create a central office for responding to trademark customer questions.

Reorganizing the PTO

The old organizational structure was replaced with a process and customer based organization. A stronger emphasis is now placed on responsiveness to the Administration's policy initiatives and on serving PTO's customers. Reporting to the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks are:

- The Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks, who has responsibility for all policy, and legal, legislative and appellate activities.

- The Assistant Commissioner for Patents, who has direct authority over all patent operations in the office from application filing through patent grant, except for appellate activities of the Board of Appeals and Interferences.

- The Assistant Commissioner for Trademarks, who has direct authority over all trademark operations of the office from application filing through trademark registration, except for appellate activities of the Trademark Trial and Appeal Board.

- The Associate Commissioner and Chief Financial Officer, who has direct responsibility for the planning, financial, budgetary, general administrative, human resources, quality customer enhancements, information dissemination, and computer facility operations activities.

- The Chief Information Officer, who has responsibility for monitoring the business process reengineering initiatives and design and development of enhanced automated systems.

In 1994 President Clinton appointed Michael K. Kirk as Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks; Lawrence J. Goffney, Jr., as Assistant Commissioner for Patents; and Philip G. Hampton II, as Assistant Commissioner for Trademarks. With these appointments, all statutory senior level positions of the Patent and Trademark Office are in place.

Employing Better Processes

The goal to "employ better processes" is directed towards changing the way we process our work in order to provide the highest quality products and services in a cost effective manner. In meeting this goal, various Business Process Reengineering (BPR) efforts are currently underway:

Trademark Process

The trademark operation is radically redesigning its practices by introducing electronic application processing into the system. The newly proposed process would center around electronic receipt, processing, storage, maintenance, and management of trademark applications and other filings. Once implemented, this system will significantly improve processing times in both the pre-examination and examination areas. Additionally, it will improve quality by automating initial data capture, instituting standard formats for filing, and initiating work group review and discussion of difficult cases.

Trademark Trial and Appeal Board Support Processes

As a result of a 1994 management control review conducted by the Trademark Trial and Appeal Board (TTAB), the TTAB was identified as a prime candidate for business process reengineering. Throughout fiscal year 1994, a team of employees met to analyze the work processes of the TTAB's docketing function. As a result of their efforts, new pilot work practices were established.

Patent Pre-Grant Publication

In response to the agreement with Japan to introduce legislation implementing 18-month publication of patent applications, an engineering effort is in progress to design a process which would enable the PTO to implement 18-month publication by January 1, 1996 (assuming enactment of the legislation which was introduced in September 1994).

PTO Budget and Cost Management

Our Office of Business Process Reengineering (OBPR) is leading the reengineering of the PTO budget formulation and cost management processes.

Improving Information Technologies

Whether it is collected from customers, created by us, or disseminated to our customers, information is one of PTO's most valuable resources. The "information age," with its emphasis on automated technologies, is having a profound effect on both our operations and our customers. To respond to this demand for improved information technologies, we continue to upgrade our information systems.

Patent Automation

One of our most important automation projects is the Automated Patent System (APS). Two major accomplishments for APS in fiscal year 1994 included:

- Creating a second complete database of all U.S. patents issued since 1790 on a rapid-access optical storage device.
- Expanding the capability of the Patent and Trademark Copy Sales System to fully automate the customer order collation and delivery of patent and trademark copy orders.

Trademark Automation

Currently, two major automated systems support trademark processing—the Trademark Reporting and Monitoring System (TRAM) and the Trademark Text and Image Retrieval System (X-Search). In fiscal year 1994, X-Search was improved to respond to the needs and requests of trademark customers and system users. Accomplishments included:

- Providing new capabilities for reviewing search results.
- Developing and installing a new network based system, thus allowing trademark examining attorneys to conduct preliminary searches at their desktops.
- Modifying X-Search to improve system performance capabilities during peak workload periods.
- Releasing X-Search version 1.1 Request For Proposals (RFP). As a result of this solicitation, we intend to upgrade the system to allow for more concurrent users and faster text searching capabilities.

Enhancing Human Resources

In order to foster the development of an organization that is innovative, decentralized, flexible, and adaptable, we are taking a fresh look at our approach to human resource management. In 1994, through coordination with PTO's Partnership Council, Strategic Diversity Council, and employee unions, a Human Resources Strategic Diversity Plan was designed. The plan focuses on the following areas:

Recruitment

Recognizing that our success depends upon a high-performing, as well as diverse work force, the PTO will use innovative outreach techniques and diverse sources to aggressively build a high quality work force.

Career Management

We are committed to meeting the career management and development needs of our employees as well as the requirements of the PTO for employees who can achieve in a highly automated and highly technical environment. In 1994, as a pledge to our commitment to prepare our work force for the challenges and changes ahead in the 21st Century work place, the PTO University was established. Under this program, employees have the opportunity to pursue certificates, bachelors and eventually graduate level degrees. More than 380 employees began taking courses during the University's first semester.

Quality of Work Life

We strive to provide a supportive and healthy work environment where the values of quality, teamwork, and personal and family commitments can be fostered and balanced. To address operational issues, work life programs and labor-management relations, the PTO Partnership Council was created. The Council—representing management and union representatives—focuses on developing balanced and supportive work place policies and practices.

Communication

Open lines of communication among all levels of employees are critical to achieving our mission. To maintain effective communication channels, we will apply technological advances in communications including electronic mail and bulletin boards, as well as make use of traditional approaches such as employee newsletters.

Community Service

The success of an organization is not only defined by its accomplishments in the business world, but also by its devotion to improving and positively influencing the community, in which it resides. In showing our commitment to both our local and national community the PTO provides various educational and community outreach programs:

Project XL—PTO's nationwide educational outreach program—proves that there is an inventor in everyone. To inspire the creativity and ingenuity of our nation's youth and to assist educators in incorporating creative and inventive thinking into their curricula, Project XL holds various exhibits and workshops nationwide. In 1994, the Project XL staff participated in annual conferences held by the National Association for Bilingual Education, the National School Boards Association, New Jersey's Student Inventions Through Education Program, and the Technology Education Program of Montgomery County, Maryland. Locally, PTO employees volunteered their time to tutor, mentor, and present special programs throughout schools in the Washington, D.C. area.

Project XL's collaborative projects with the National Inventive Thinking Association, the Cities/Communities In Schools Organization, and the National Institutes of Health Education Office, brought new curriculum material to educators nationwide, helped expand the drop-out prevention efforts for Native American students in South Dakota, and enhanced Maryland's technology education program. During the year, more than 4,000 educators requested and received Project XL curriculum materials.

Clarendon House—The PTO initiated a pilot employment program with Clarendon House, a community based self-help mental health center in Arlington, Virginia. The PTO became the first federal agency to join the growing list of Clarendon House program supporters.

Cultural Observances —In addition to sponsoring several cultural observances throughout the year, the PTO was one of a group of nineteen public and private organizations which participated in Diversity Day 1994. Though a mix of training workshops, video presentations, display booths and cultural presentations, Diversity Day symbolizes PTO's commitment to valuing diversity, developing cultural awareness in the work place, and fostering efforts to recruit and retain a diverse work force.

Work Force Management

Because customer satisfaction is our highest priority, compensation and benefits are our biggest investment. We view our employees as a valuable resource to be invested and optimized, not as a cost to be cut or minimized.

Recognizing the government-wide initiative to reduce federal employment wherever feasible, we rely upon contractor support to supplement the work of our employees. However, the PTO has certain functions—specifically patent and trademark examination—which cannot be contracted out. Looking ahead to 1995, patent workload is expected to grow by 4 percent and trademark workload by 6 percent, yet our overall work force is only expected to grow by less than 2 percent. To meet the growing product and service demands, the PTO must maintain an adequate staff of skilled patent examiners, trademark attorneys, and technical support personnel.

GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993

The PTO takes every opportunity to explore new ways of providing our customers and stakeholders with high-valued products and services. In January 1994, we were selected to participate in the Government Performance and Results Act (GPRA) pilot program. The purpose of the GPRA is to improve the effectiveness and accountability of federal programs by focusing on program results, quality and customer satisfaction. As a pilot program participant, the PTO has committed to establishing, monitoring and reporting on our program performance, goals and indicators. The following are our 1994 and 1995 major performance goals:

- Decrease patent pendency and maintain financial self-sufficiency.
- Decrease trademark pendency and maintain financial self-sufficiency.
- Engage in business-like partnerships with Patent and Trademark Depository Libraries (PTDLs) tailored to the industry base of that regional industrial arena, and increase the number of PTDLs throughout the nation.
- Conduct customer focus group sessions and surveys of individual users, internal customers, law and intellectual property associations, and other stakeholders.

The PTO has chosen to take a proactive role in instituting the provisions of the GPRA. In September 1994 we published a Strategic Plan for fiscal years 1996-2000. This comprehensive, high-level document provides a foundation for planning throughout our organization.

The PTO is a pioneer in establishing performance goals and measurements. In response to the needs of PTO's users and stakeholders, in 1982 the PTO engaged in a successful user fee program to reverse the trend and confidence of those who ascribed to the *U.S. News and World Report's* February 2, 1981 statement that, "The U.S. patent process is so sluggish, outdated and undependable that it is contributing to the decline of innovation in America." In 1989, the PTO met its commitment to reduce patent pendency (the time expended from patent application receipt to patent issue) to 18 months and became the world's fastest and most economical issuer of patents. The trademark program realized its commitment to reduce backlogs and deliver a better quality and more timely trademark registration in 1985.

The achievement of these goals was a result of an agreement among the PTO, Congress, and our users that, if fees were increased to recover a higher percentage of operational costs, the PTO would reduce backlogs and deliver better quality and more timely patent issues and trademark registrations. Thus the direct linkage emerged between PTO's commitment to improved program performance in exchange for fees paid by the public. Since 1982, despite fluctuations in patent and trademark pendency of one to three months throughout this period, the PTO has continued to take the necessary steps to maintain the commitment that was made to users and Congress over a decade ago.

Our vision for the future is to return to a stable overall pendency level of 18 months for the issuance of a patent and 13 months for the registration of a trademark. In addition, the PTO will continue to seek innovative ways to address acceptable pendency levels for individual areas of technology patents and trademarks. Eighteen-month patent pendency is the shortest time reasonable and attainable under current statutes and rules and is the international publication standard. Three months to first action notice (the rendering of an initial opinion on the registrability of a trademark early in the examination process which provides an important indication of whether the trademark may ultimately register) and 13 months to disposal (registration or abandonment) of a trademark application is the most acceptable standard for a trademark registration.

The continuation of the commitment to PTO users to provide the most timely and high quality services and products in return for total reliance on user fees and no general taxpayer support will remain the major program performance goal for the bureau. Our efforts to achieve financial self-sufficiency began in fiscal year 1983. This goal was realized with the enactment of the Omnibus Budget Reconciliation Act of 1990 when financial self-sufficiency was accelerated by the imposition of a surcharge upon patent statutory fees. In addition to our performance goal of decreasing pendency, we will continue to strive to maintain financial self-sufficiency. Two equally important performance goals will be to improve the methods of disseminated patent and trademark information and to begin the measurement of the overall quality of services to customers.

Our experience in program performance measurement has taught us that this process must be a continuous cycle of defining and refining measurement tools to assure that the quality of our service is customer oriented. Recognizing the importance of tapping into the resources of ALL customers, the PTO is conducting customer focus sessions and satisfaction surveys to attain a higher level of quality service that is defined through the perspective of those who fund our bureau — the fee paying users. In our fiscal year 1994 and 1995 GPRA Performance Plans, the PTO included eight pivotal factors which will set the stage for gauging program performance necessary to attain the four major goals: performance vision, a strategic framework, performance goals, processes for achievement, methods of verification and validation, performance indicators, baseline target levels, and finally, anticipated impediments to goal attainment.

GOVERNMENT PERFORMANCE AND RESULTS ACT PERFORMANCE PLAN

Patent Program Performance Vision:

To enhance the standard of living, quality of life, and economic growth in the United States through the timely issuance of patents. The issuance of timely and valid patents assist in maintaining our nation's global economic leadership, and provides incentive and protection for inventors to pioneer new products and technologies into the marketplace. In conformance with the PTO 1996 - 2000 Strategic Plan, the PTO's objective is to maintain a stable pendency level which fosters industrial and technological innovation in the United States. PTO will stabilize (as achieved in fiscal year 1989) the patent pendency level by achieving to improve its ability to predict and respond to external political, economic, and technological changes, which may impact filing levels, fee revenue, pendency, and ultimately, national innovation.

Strategic Framework Goal:

While serving all customers in a timely and courteous manner, provide quality intellectual property protection, by issuing patents in a timely manner.

Program Performance Goal:

Decrease patent pendency and maintain financial self-sufficiency.

Processes:

- Enhance human resources.
- Leverage information technologies.
- Employ better processes.

Verification and Validation:

- Patent program managers will use automated systems for tracking and monitoring all patent applications.
- PTO managers will monitor performance through the use of monthly Executive Information System (EIS) reports and analysis.

Performance Indicators:

	1989 Baseline	*1994 Actual*	*1995 Target*	*1996 Target*
Financial self-sufficiency (percent)	70.26	100	100	100
Months to issue or abandonment	18.4	19.0	18.9	19.0
Months from pendency to first action	7.3	7.7	7.0	8.1

Impediments:

- Applications (or inputs) are subject to economic and political changes in the U.S. and abroad.
- Application examination times are subject to technical complexity of applications, examiner experience, response time of applicants to office actions, and number of patent examiners available for examining.

Trademark Program Performance Vision:

To promote and protect industrial and technological productivity through the timely registration of trademarks (as achieved in fiscal year 1985). PTO's goal is to improve its ability to predict and respond to changes in the external environment, which may impact filing levels, fee revenue, pendency, and ultimately, industrial growth. Consistent pendency levels support U.S. businesses in making major marketing and production decisions regarding the placement of new products and services in the marketplace. In conformance with the PTO 1996 - 2000 Strategic Plan, achievement of this goal will reinforce confidence in consumer and business protection, which is inherent in a timely and defensible trademark registration.

Strategic Framework Goal:

While serving all customers in a timely and courteous manner, provide quality intellectual property protection, by registering trademarks in a timely manner.

Fiscal Year 1994 Performance Goal:

Decrease trademark pendency and maintain financial self-sufficiency.

Processes:

- Enhance human resources.
- Leverage information technologies.
- Employ better processes.

Verification and Validation:

- Trademark program managers will use automated systems for tracking and monitoring all trademark applications.
- PTO managers will monitor performance through the use of monthly Executive Information System (EIS) reports and analysis.

Performance Indicators:

	1989 Baseline	*1994 Actual*	*1995 Target*	*1996 Target*
Financial self-sufficiency (percent)	100	100	100	100
Months to register trademark	13.8	16.3	15.5	13.9
Months to first action	2.8	5.2	3.9	3.0

Impediments:

- Applications (or inputs) are subject to economic and political changes in the U.S. and abroad.
- Application examination times are subject to technical complexity of applications, examiner experience, response time of applicants to office actions, and number of trademark examiners available for examining.

Information Dissemination Program Performance Vision:

PTO will engage in better ways of serving the informational needs of uniquely focused industries and will implement new methods of generating additional sources of revenue by taking a more business-like approach in meeting our responsibilities for disseminating patent and trademark information. PTO's goal is to enhance methods for disseminating information and increase our capacity to bring PTO's most important services directly to our customers. Currently, patent and trademark information is disseminated through paper, microfilm, microfiche, CD-ROM, and at Patent and Trademark Depository Libraries (PTDLs). As the world enters the information age and the information superhighway, the PTO will strive to globally disseminate patent and trademark information in the most accessible and economical means. Our vision is to begin by utilizing the current PTDL network as mini-PTO satellite offices in areas that have a highly concentrated need for PTO information.

Strategic Framework Goal:

While serving all customers in a timely and courteous manner, provide quality intellectual property protection, by promoting effective access to patent and trademark information.

Fiscal Year 1994 Performance Goal:

Engage in business-like partnerships with PTDLs tailored to the industry base of that regional industrial bases and increase the number of PTDLs throughout the nation.

Processes:

- Internal PTO approval of partnership agreements by 1st quarter Fiscal Year 1995.
- External acceptance of two partnership proposals by 1st quarter Fiscal Year 1995.
- Partnership agreement with the cities of Sunnyvale, CA and Detroit, MI signed by first quarter Fiscal Year 1995.
- Draft partnership agreement with the city of Albuquerque, NM by 1st quarter Fiscal Year 1996.
- Development of partnership performance measurements by second quarter Fiscal Year 1995.

Verification and Validation:

- PTO Business Council will review periodically.
- Review partnership agreements for compliance.

Performance Indicators:

	1994 Actual	*1995 Target*	*1996 Target*
PTDLs	78	83	85
States in which PTDLs are established	49	50	50
Business partnerships	0[1]	3	5

[1]Partnership agreement signed with city of Sunnyvale, CA, in November, 1994.

Customer Service Program Performance Vision:

Users are more willing to invest in research and development if they are confident in the defensibility of the patents issued and trademarks registered by the PTO. In order to increase investment and consumer confidence, the PTO will establish and implement customer satisfaction standards, which fully reflect the needs and perspectives of the stakeholders and users who fund our bureau. We will achieve this goal by conducting customer satisfaction surveys and focus group sessions, designed to provide continuous communication and feedback from our users. By continually assessing and monitoring user needs, the PTO envisions a bureau that is attuned with the demands and expectations of the customers who support our daily operations.

Strategic Framework Goal:

Provide our customers with the highest level of quality and service in all aspects of PTO operations.

Fiscal Year 1994 Performance Goal:

To conduct customer focus group sessions and surveys of individual users, internal customers, law and intellectual property associations, and other stakeholders.

Processes:

- Identify customers
- Random sampling
- Conduct customer focus sessions (CFS)
- Develop standards based on CFS
- Disseminate standards to process owners, Partnership Auxiliary Committees (PACs) and Joint Partnership Council (JPC)
- Publish standards to customers
- Develop and conduct surveys to validate standards
- Conduct more CFS
- Disseminate data from surveys/CFS to process owners, PACs, and JPC for review and development
- Management makes budget decisions to meet customer need
- Incorporate into fiscal year 1997 budget request

Verification and Validation:

- Analysis of customer service survey and focus group results by the PTO Business Council, PTO Union Partnership Council, and program managers.
- Center for Quality Services will assess customer satisfaction levels on a continual basis.

Performance Indicators:

	1994 Baseline Patents	*1994 Baseline TMs*	*1994 Baseline Info. Diss.*	*1995 Target Patents*	*1995 Target TM*	*1995 Target Info. Diss.*
Customer satisfaction surveys conducted	8	2	0	5	4	1
Focus group sessions conducted	12	7	4	16	9	5
Customers surveyed satisfied with PTO's overall performance	[1]	[1]	[1]	[1]	[1]	[1]
Customers satisfied with PTO's established patent pendency level	[1]	[1]	[1]	[1]	[1]	[1]
Customers satified with PTO's established trademark pendency level	[1]	[1]	[1]	[1]	[1]	[1]

[1]Surveys undertaken late in Fiscal Year 1994, therefore computation of data was unavailable for baseline and target levels at time of publication.

GOVERNMENT PERFORMANCE AND RESULTS ACT
PATENT AND TRADEMARK OFFICE ANNUAL PERFORMANCE PLAN

Fiscal Year Actuals	Patent (UPR) Applications Filed	TM Applications Filed	Patent (UPR) Disseminated (Issued or Registered)	TM Disseminated (Issued or Registered)	Patent (UPR) Pendency (in months)	TM Pendency (in months)	Total PTO [11]Fee Collections	Patent Financial Self-Sufficiency[1]	TM Financial Self-Sufficiency[1]	Patent External Customer Focus Sessions	TM External Customer Focus Sessions	Info. Diss. External Customer Focus Sessions	Patent Customer Surveys Conducted	TM Customer Surveys Conducted	Info Diss. Customer Surveys Conducted
1982	116,731	73,621	59,853	43,630	24.2	21.3	252[2]	0.00%	0.00%						
1983	97,448	51,014	55,314	47,685	25.5	20.3	82,734	43.24%	100%[10]						
1984	109,539	61,480	67,214	52,290	25.0	19.1	98,841	48.44%	100%[10]						
1985	116,427	64,677	70,244	71,167	23.2	13.8	107,289	44.88%	100%[10]						
1986	121,611	69,253	71,791	55,162	22.0	12.5	127,896	49.75%	100%[10]						
1987	126,407	70,002	82,635	53,884	20.8	13.0	144,685	47.10%	100%[10]						
1988	137,069	76,813	77,844	52,461	19.9	13.3	168,317	57.39%	100%[10]						
1989	151,331	83,169	96,868	58,599	18.4	13.8	192,322	70.26%	100%[10]						
1990	163,571	127,294	89,551	63,924	18.3	15.3	222,526	98.99%	100%[10]						
1991	167,715	120,365	92,474	49,810	18.2	16.7	344,317[3]	99.51%	100%						
1992	172,539	125,237	100,116	69,691	19.1	15.1	427,815[4]	100%	100%						
1993	174,553	139,735	97,386	86,122	19.5	14.4	498,364[5]	100%	100%	12	7	5			
1994	186,123	155,376	102,130	68,853	19.0	16.3	546,881[6]	100%	100%	12	7	4	8	2	0
TARGET															
1995	192,000	157,000	105,800	95,800	18.9	15.5	571,439[7]	100%	100%	16	9	5	5	4	1
1996	200,000	166,000	109,200	101,300	19.0	13.9	639,756[8]	100%	100%	12	12	12	12	12	12
1997	208,000	176,000	110,300	107,400	20.1	13.8	665,243[9]	100%	100%	12	12	12	12	12	12

1 Cost recovery percentages for patents and trademarks were calculated by dividing the fiscal year's general fund appropriation amount by the total obligation amount and subtracting that percentage from 100 percent.

2 Prior to 1983, fee collections, with the exception of reexamination fees, were returned to the U.S. Treasury.

3-9 Collections include patent surcharge fees as follows: FY 1991 - $99,307, FY 1992 - $95,000, FY 1993 - $99,000 FY 1994 - $103,000, FY 1995 - $107,000, FY 1996 - $111,000, and FY 1997 - $115,000.

10 Self-sufficiency calculations for Trademark from 1983 to 1990 include only direct Trademark obligations.

11 Reflects actual collections in thousands that have not been adjusted for deferred revenue.

12 Surveys undertaken late in FY 1994, therefore computation of data as unavailable for baseline and target levels at time of publication.

NOTE: Historical data not available for shaded areas, program not implemented until FY 1994. Pendency levels were extracted from Congressional budget submissions.

THE YEAR AHEAD

- PTO expects to issue 105,800 utility, plant and reissue patents and register 95,800 trademarks in fiscal year 1995.
- The PTO's 1996 - 2000 Strategic Plan was published and transmitted to the Congress, the Administration, and PTO employees and customers.
- The GATT Treaty was signed by President Clinton on December 8, 1994 and 20-year patent term becomes effective on June 8, 1995.

- The United States signed the Trademark Law Treaty on October 28, 1994 and the PTO will work with its Congressional Committees to introduce implementing legislation in the 104th Congress.
- The Twelfth Trilateral Conference was held in Tokyo on November 18, 1994, and the European Patent Office, the Japanese Patent Office and the PTO recognized the necessity and importance of further international harmonization of their patent systems and expressed their intention to continue their cooperation on the many projects that are under way.
- Legislation to implement an early publication system is expected to be reintroduced in the 104th Congress; public hearings on regulatory issues will be held on February 15, 1995.
- The Patent Reexamination Reform Act was passed by the Senate on October 4, 1994, but was not passed by the House of Representatives. The legislation is expected to be reintroduced in the 104th Congress.
- The final report on the National Information Infrastructure (NII) is expected to be issued in the first half of fiscal year 1995.

- On October 26, 1994, AIDS-related patents were available on the INTERNET; through the Trilateral Agreement, AIDS-related patents from the Japanese Patent Office and the European Patent Office are being selected for addition to the data base.
- A partnership agreement was signed with the University of New Mexico on October 6, 1994 to strengthen enginneering, scientific, and technological programs especially for women and minorities for the mutual benefit of the University and the PTO.
- The PTO University will be expanded to accommodate 398 students and offer seven courses which will lead to Certificate and AA degrees. Also in fiscal year 1995, the PTO will begin curriculum research for the implementation of Bachelor's and graduate level degrees in 1996.
- The Pre-Grant Publication System (PGPub) will be implemented by January 1996 to publish patent applications by 18 months from the earliest effective filing date.
- Access to the Automated Patent System's Full-Text Search and Retrieval (APS-Text) will be offered to all Patent and Trademark Depository Libraries beginning January 1995.
- A partnership with the Sunnyvale Center for Innovation, Invention, and Ideas (SCI3) located in Sunnyvale, California was initiated in November 1994 to find better ways of serving the needs of uniquely focused regions across the country by developing a wide range of products and services that would be beneficial to local citizens and businesses.
- A similar partnership with the Detroit Public Library is expected to be completed in the first half of 1995.
- A survey of approximately 10,000 patent and trademark customers will be completed as a follow-up to focus sessions conducted in fiscal year 1994.

CRITICAL AREAS FOR FINANCIAL AND MANAGEMENT IMPROVEMENT

In 1994, the PTO continued to address the following critical areas for financial and management improvement: a resolution of the bureau's long-term space needs; restrictions in the number of personnel ceilings allotted to the bureau; and continued diversion by the Congress of patent fee surcharges to the programs of other agencies. In addition, Secretary of Commerce Ronald H. Brown signed an agreement with Japan to institute a pre-grant patent publication (PGPub) system at the PTO by January 1, 1996. Planning for the PGPub system began in 1994. The new system will affect patent examination practice, result in new expenditures and fees, and alter the deployment schedule of the Patent Application Management (PAM) system.

Space

Leases held by the PTO in Crystal City will begin to expire in fiscal years 1996 and 1997. During 1994, the PTO and the General Services Administration (GSA) agreed to a threefold space acquisition strategy: (1) that the PTO receives the most beneficial space cost available; (2) that adequate space for continued PTO growth is considered; and (3) any possible future location is conducive to PTO's functions and is easily accessible by PTO employees. The PTO and the GSA provided the Office of Management and Budget with a space prospectus late last summer. The prospectus assumed the solicitation of bids in early calendar year 1995.

Personnel Ceilings

The Federal Workforce Restructuring Act of 1994 (Public Law 103-226) directed a Government-wide reduction of 272,900 federal employees by 1999. The PTO is affected by this law. While the number of PTO employees will continue to grow through fiscal year 1996, this growth is limited and will not meet expected workload increases, particularly in the patent and trademark areas. In 1995 and 1996, the PTO proposes to reduce administrative positions and redirect examination support staff back to examination duties. These measures still do not address the underlying problem—by fiscal year 1999 the PTO will be short almost 1,400 positions *assuming continued growth in patent and trademark application filings and maintenance of current methods of doing business.*

In response to this long-term outlook, PTO management and employees are undertaking an aggressive agenda to reengineer and automate our current processes. In 1994, reengineering reviews began for the Trademark Trial and Appeal Board, the entire trademark examination process, patent pre-grant publication (PGPub) initiatives, and the PTO budget formulation and cost management process. Efforts are currently underway to reengineer the patent examination process.

Redirection of PTO Funds

With the enactment of the Omnibus Budget Reconciliation Act of 1990 (OBRA, Public Law 101-508), the PTO became totally funded through the sales of our products and services. This was accomplished through imposing a 69 percent increase in patent fees. Initial legislation required that fee surcharges be deposited into a special fund, from which the Congress is to appropriate funds equal to those deposits. Subsequent pieces of legislation removed the reference to a specific surcharge of 69 percent, requiring the PTO to deposit exact amounts of surcharges, and extending the surcharge through the end of fiscal year 1998.

Due to declining funds allotted to the PTO's appropriations subcommittees of the House and the Senate, the subcommittees have failed to appropriate back to the PTO like amounts deposited into the fee fund. In fiscal year 1994, $14.7 million was withheld from the PTO. In 1995, $24.7 million will also be withheld. Total withholdings from fiscal years 1992 to 1995 will amount to $59.8 million, or over 11% of the amount deposited, as shown in the following table:

(dollar amounts in thousands)

Fiscal Year	*Surcharge Deposit*	*Surcharge Appn.*	*Surcharge Withheld*	*Cum. Variance*	*Annual Var. (%)*	*Cum. Var. (%)*
1991	$99,307	$99,307	$0	$0	0.00	0.00
1992	95,000	86,894	8,106	8,106	8.53	4.17
1993	99,000	86,672	12,328	20,434	12.45	6.97
1994	103,000	88,329	14,671	35,105	14.24	8.86
1995	107,000	$82,324	$24,676[1]	$59,781	23.06	11.88
1996	*111,000*					
1997	*115,000*					
1998	*$119,000*					

(Note: Numbers in italics indicate deposits required by Public Law 102-204 for the fiscal years 1996-1998 period.)

Proposals to resolve this problem in fiscal year 1994 and fiscal year 1995 were not successful. Our fiscal year 1995 appropriation was further reduced when Congress directed that $6 million of the $82.3 million in fee surcharges is available only for the acquisition of a high performance computing capability. If the PTO continues to experience this trend in appropriation reductions, the PTO can expect to see reductions of approximately $32 million, $40 million, and $48 million in fiscal years 1996, 1997, and 1998, respectively. These reductions will hinder the PTO from providing the quality of service our customers deserve, will force our customers to pay for other agencies' programs, and will penalize a constituency that plays a vital role in building our nation's strong economic base.

Patent Pre-Grant Publication

On August 16, 1994, Secretary of Commerce Ronald H. Brown and Japanese Ambassador Takakazu Kuriyama signed Letters of Agreement that insured American inventors faster patent applications processing in Japan and overall improved protection for U.S. intellectual property rights owners. Under the terms of this agreement, the Japanese Patent Office will: (1) By April 1, 1995, end the practice of allowing third parties to oppose a competitor's patent before it is granted. (2) By January 1996, establish an accelerated patent examination procedure that will enable applicants to obtain disposition of their patent applications within 36 months upon request. (3) By July 1, 1995, end the practice of awarding dependent patent compulsory licenses, which can force patent holders to license the use of their technology to competitors, limiting their exclusive rights to their inventions.

In return, the PTO agreed to publish patent applications 18 months after the first effective filing date beginning January 1, 1996, and agreed to expand the reexamination proceedings to allow for greater participation by third parties. To prepare for the pre-grant publication (PGPub), the PTO is currently applying business process reengineering techniques to create a pre-grant publication system. Groups of PTO employees worked throughout the summer and fall of 1994, to lay out strategies for implementation and operations. Additional expenditures incurred for PGPub will be offset entirely by fees. The PTO will implement the PGPub system by January 1, 1996.

As a result of these activities, the PTO decided to postpone implementation of the Patent Application Management (PAM) system until after implementation of PGPub. The PAM system proposes the electronic processing of patent applications from receipt through examination to publication. The reasons for this decision were twofold. First, the agency will not have sufficient resources in 1995 to implement both systems, and second, the experience gained by the implementation of PGPub will serve as a learning tool and benchmark for PAM.

[1] Within the $24,676,000 of funds withheld, $676,000 represents the PTO share of administrative savings imposed upon the Department of Commerce.

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER —

Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, has communicated his desire to create a world class organization where quality is customer satisfaction. Such an organization requires a financial management philosophy that is also centered upon quality and customer satisfaction. To this end, I envision an environment where program and financial managers work together to achieve an optimum balance between efficiency and effectiveness in the delivery of products and services to satisfied customers; where accurate and timely financial information is an integral part of program delivery and decision-making; where financial managers are valued members of the management team; and where the public, members of Congress, and others are confident that assets are safeguarded and used wisely, and where operating results are reported accurately.

Specific accomplishments have been realized as these plans are put into practice. During the reorganization, a Comptroller position was created to provide enhanced leadership in the financial arena. Continuing professional education programs were implemented for accountants and budget analysts. Other financial staff members enrolled in business and automation programs offered through our PTO University.

Progress continues on the automation front towards my goal of an integrated financial management system that provides accurate, timely, and accessible information. Computer assisted design tools are being used to redevelop our revenue accounting and management system. Pilot testing of electronic commerce capabilities and phased implementation of a state-of-the-art procurement system are under way. Other initiatives include the development of an enhanced fee and cost management system, the implementation of a new travel subsystem, and the development of unit cost information for our products and services.

As the Chief Financial Officer of the Patent and Trademark Office, I am committed to strong accountability for sound financial performance. Thus, I am pleased to convey that the Office of the Inspector General of the Department of Commerce has rendered an unqualified opinion on our Financial Statements for fiscal year 1994. These include the Statement of Financial Position which indicates that assets grew by 34 percent to $337 million dollars while liabilities increased by 16 percent to $235 million; the Statement of Operations and Changes in Net Position which depicts total revenues of $544 million for fiscal year 1994 and corresponding expenses of $485 million; the Statement of Cash Flows which shows the sources and uses of our funds; and the Statement of Budgetary Resources and Actual Expenses which reconciles our actual expenditures to our budgeted resources.

Bradford R. Huther
Associate Commissioner and
Chief Financial Officer

LIMITATIONS

Pursuant to the requirements of the Chief Financial Officer's Act of 1990, the financial statements which follow the financial review have been prepared to report the financial position and results of operations of the Patent and Trademark Office (PTO). The fiscal year 1994 financial statements consist of the Statement of Financial Position; Statement of Operations and Changes in Net Position; Statement of Cash Flows; and the Statement of Budgetary Resources and Actual Expenses. The following limitations apply to the preparation of the fiscal year 1994 financial statements:

While the statements are prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements vary from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than contracts can be abrogated by the sovereign entity.

FINANCIAL REVIEW

During the first part of this century, the Patent and Trademark Office (PTO) was virtually self-supporting. As the century progressed, fee receipts, as a percentage of operating costs, declined substantially. By 1982, only 23 percent of total operating costs were offset by fee recoveries. On August 27, 1982, the Patent and Trademark Authorization Act was signed. This act provided for a growing recovery of operating costs from fee income and allowed the PTO to retain the fee income as offsetting collections.

The most recent Congressional act to impact the user fee-funded environment was the Omnibus Budget Reconciliation Act (OBRA) of 1990. Statutory patent fees were increased by 69%. The PTO received only nominal appropriations from general taxpayer revenues in fiscal year 1992. With the start of fiscal year 1993 and as stipulated in the OBRA, funding from such appropriations ceased completely. All operating costs are now funded by the collection of user fees. These collections have risen from $413 million in 1992 to almost $544 million in 1994.

This is the third annual financial statement prepared in response to the requirements of the Chief Financial Officer's Act of 1990. These statements have been compiled in accordance with guidance issued by the Office of Management and Budget and the Department of Commerce.

During 1994, the Office of Inspector General (OIG) performed an audit on the Statement of Financial Position for fiscal year 1993 and rendered an unqualified opinion on this statement. In their letter to the Chief Financial Officer, the OIG made recommendations for improving internal controls and promoting operating efficiencies. Actions have been initiated by the PTO to implement these recommendations.

TRENDS IN INCOME AND EXPENSES

User fees are the source of all revenues earned by the Patent and Trademark Office (PTO). Customers pay fees in advance of the products and services to be received. A broad spectrum of products and services are provided and sold to the general public, and individual fees are assessed accordingly. Fee collections have continued to climb as the demand for PTO products and services has increased. This has caused the PTO to have unusually large year end balances in our Fund Balance with Treasury; Net Position; and Excess of Revenues and Financing Sources Over Total Expenses. These balances are attributable to several factors.

Incoming workloads (or orders for products and services) have exceeded planned levels. In fiscal year 1994, new patent applications (utility, plant, reissue and design applications) were planned at 193,500. The actual number of new applications received in 1994 was 201,554, which was four percent higher than projected. A similar situation exists in the trademark area where new applications exceeded plan by 7,376 or 5 percent in fiscal year 1994.

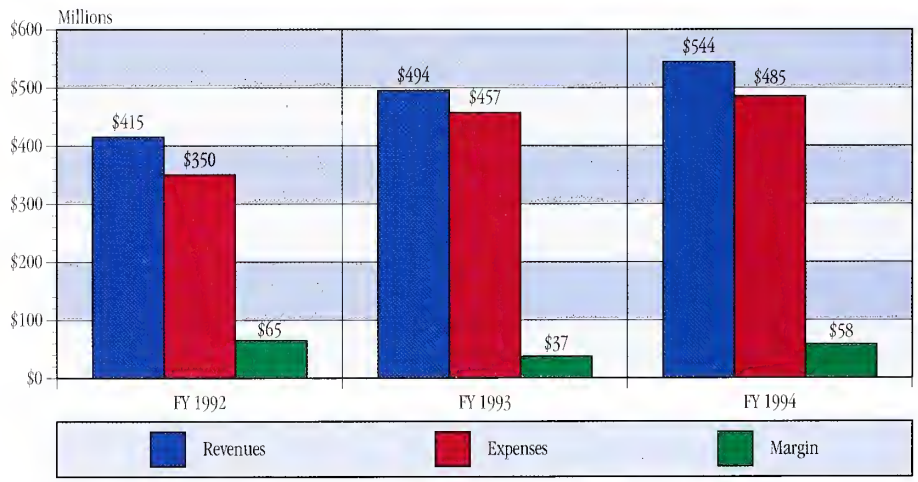
The PTO also collects fees for the maintenance of issued patents over the 17 year life of the patent. Maintenance fees are collected in three stages. Maintenance fees were planned based upon an anticipated renewal rate of 75 percent at the first stage (at the end of the third year after a patent is issued); 50 percent at the second stage (at the end of the seventh year after a patent is issued); and 25 percent at the third stage (at the end of the eleventh year after a patent is issued). In fiscal year 1994, the PTO was just beginning to receive the full effects of the third stage renewal. Actual renewal rates were higher than planned: for the first stage, 76 percent versus 75 percent; for the second stage, 54 percent versus 50 percent; and for the third stage, 34 percent versus 25 percent. The PTO will continue to refine its estimates, but the decision to renew a patent or not is entirely up to the patent owner and is thus not under the control of the PTO.

The net result of higher than planned incoming workloads and payment of patent maintenance fees resulted in fee collections in excess of plan. These amounts totaled $28.2 million in fiscal year 1994. The good news, of course, is that our business is booming. The reality of the situation is that the PTO is often unable to immediately respond to increased business, as our still largely manual processes rely upon trained and experienced patent examiners and trademark attorneys, the majority of whom are hired as recent college and university graduates. Thus, from one year to the next, advanced fee payments may be carried over to the next year while the PTO expands its operational capacity to address growing inventories of unexamined patent and trademark applications.

Also included in the year end balances are fees that have been collected but are not available for the PTO's use. The Omnibus Budget Reconciliation Act of 1990, as amended in 1993, imposed a surcharge upon specific patent fees. These surcharges, to be collected by the PTO and deposited to the Treasury, are subject to appropriations by the Congress. In fiscal year 1994, the PTO deposited $103.0 million in surcharge fees. The Congress appropriated $88.329 million. The difference, $14.671 million, was not made available to the agency.

The fiscal year 1995 budget request was similarly reduced by the Congress. In addition to withholding $24.7 million from deposits of surcharge fees, the Congress also earmarked funds for specific projects and enacted reductions for administrative and other savings. The total changes to the PTO budget request for fiscal year 1995 total $36.2 million. To address these changes, the PTO will apply balances from fiscal year 1994. In addition, the PTO is planning to implement an agreement signed by the Secretary of Commerce with the Government of Japan in which, in return for concessions to US inventors filing patent applications in Japan, the PTO has agreed to the publication of patent applications within 18 months of the earliest filing date. Development of this pre-grant publication system is estimated to cost $8.0 - $10.0 million in fiscal year 1995. Finally, remaining balances could be used in fiscal year 1995 for automation infrastructure improvements and for the acquisition of business reengineering support required for the streamlining of PTO operations.

Trends in Income & Expenses



Revenue includes restricted Surcharge Fees
Net Margin includes restricted Equity

PTO is a provider of services, and, as such, personnel costs represent the single greatest expense. In fiscal year 1994, salaries and benefits accounted for 62 percent of operating expenses. Investments in new automation technology are also continuing to increase as some processes are transformed from paper-based to electronic systems. One of PTO's largest automation efforts is the deployment of the Automated Patent System (APS). A portion of the costs associated with deploying the APS are capitalized and will be depreciated over the useful life of the system. As a result, the Statement of Operations includes all APS costs expensed in fiscal year 1994 and the annual depreciation recognized on the capitalized assets.

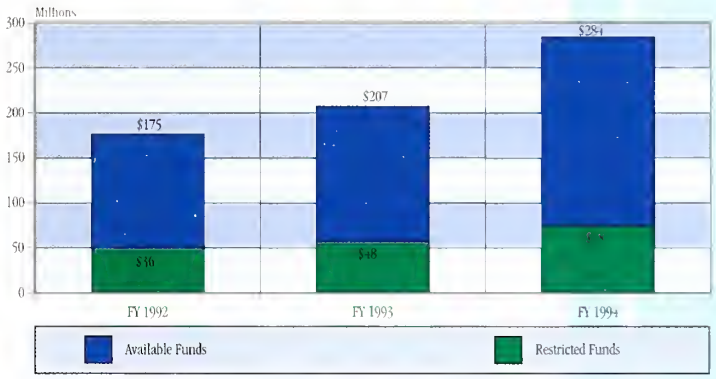
CHANGES IN PRINCIPAL ACCOUNTS

The bulk of the assets managed by the PTO are comprised of cash and capital equipment. This equipment includes hardware, software, and assets under capital lease. To expedite the collection and deposit of cash assets, various mechanisms are used which provide customers with several options for remitting fees. These include payment by mail, payments by electronic transfer, and payments to cashiers located in the PTO office complex.

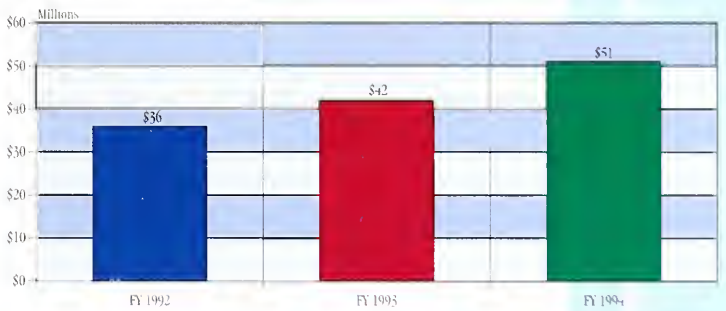
Customers may also establish deposit accounts with the PTO. These monies are paid to the PTO in anticipation of a future demand for services. When a service request is received from a customer maintaining a deposit account, the appropriate fee is deducted from the pertinent account. Monthly statements are provided to deposit account customers.

A comparison of selected ending balances for fiscal years 1992 through 1994, as reflected in the Statement of Financial Position, is displayed in the following charts. The graphs presented do not display ending balances by line item. Also, it is important to note that the restricted fund balances and equity segments associated with patent surcharge fees are not available for use without additional appropriations by the Congress.

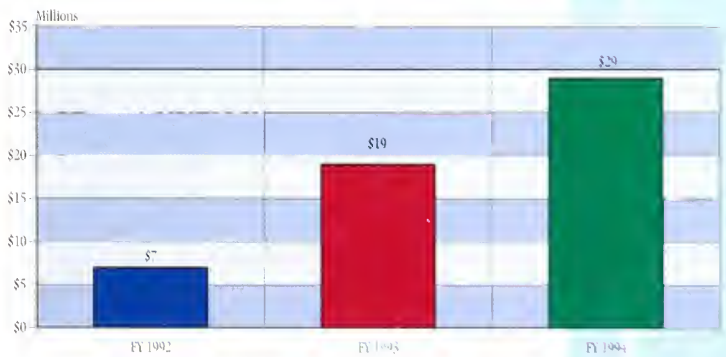
FUND BALANCES WITH TREASURY
include available and restricted amounts. Funds which are restricted include advance payments by customers and surcharge fees which were collected but not appropriated for use. At the end of fiscal year 1994, available fund balances were $217 million, an increase of about 36 percent above 1993. For the same period, funds which were restricted increased by 41 percent to a total of $68 million. Approximately $102 million of the available balances are earmarked for the payment of outstanding obligations.

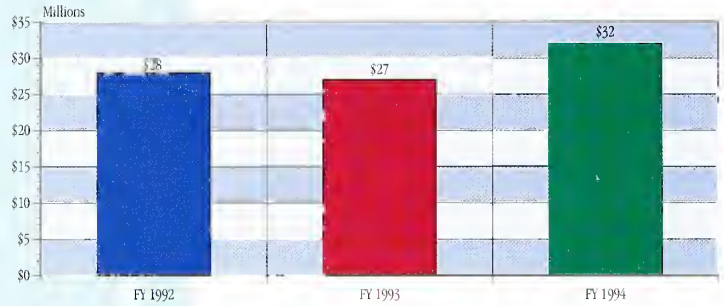


PROPERTY AND EQUIPMENT (NET)
increased to a balance of $51 million on September 30, 1994. This balance is stated at net book value, which is the original acquisition cost of $108 million less the total accumulated depreciation of $57 million. The change resulted from the continuing implementation of automation plans.

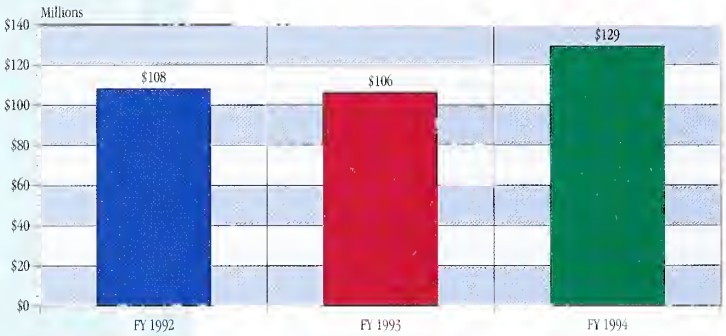


ACCOUNTS PAYABLE
balances shown include Federal and non-Federal accounts payable. These are monies owed for goods and services that have been received but for which payment has not yet been made. At the end of the 1994 fiscal year, payments due to other Federal agencies were $4 million and $25 million was owed to non-Federal entities.

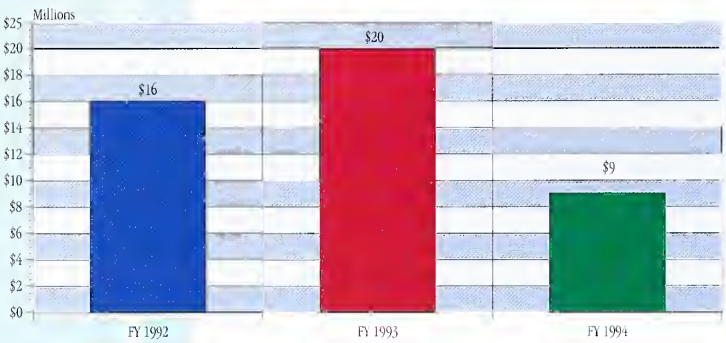




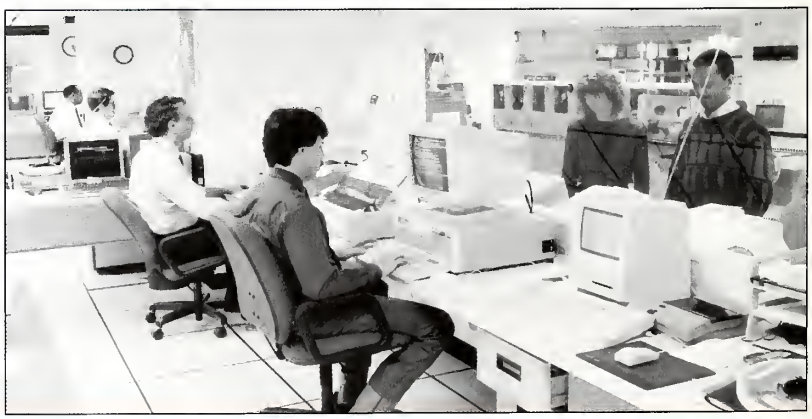
DEPOSIT ACCOUNTS
are maintained by the PTO as a service to our customers. The associated liability results from advance payments made by customers in anticipation of a future demand for services. At the end of fiscal year 1994, the total liability was $32 million. There was a slight increase in the balance as the result of a net increase in the number of accounts as well as the amount of funds deposited by customers.



DEFERRED REVENUE
results from advance payments which are made by customers and are recorded as a liability until a particular service is rendered. Fees which are remitted with initial applications are recorded as deferred revenue until the processing of the application actually begins. An increase in applications received as well as a processing backlog resulted in an increase in the deferred revenue as of September 30, 1994.



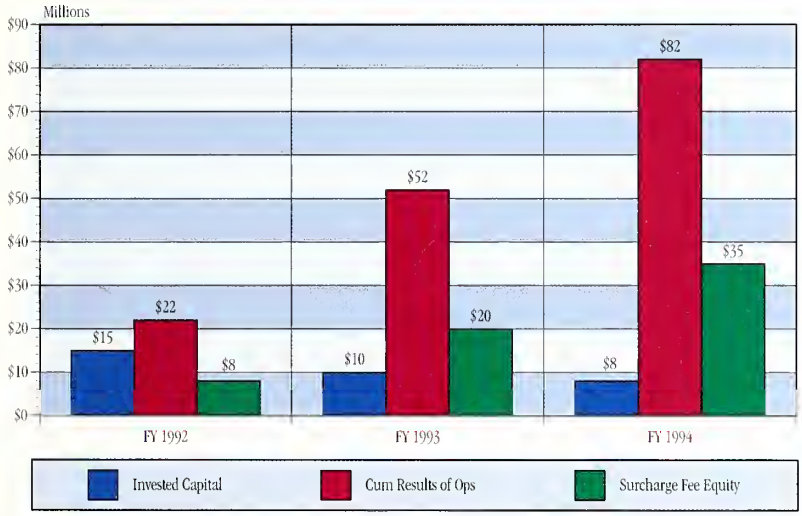
CAPITAL LEASE LIABILITIES
represent future payments owed for capital lease transactions. The lease total for future payments decreased by 54 percent due to the purchase of previously leased hardware used in connection with the Automated Patent System (APS). Most of the APS leases have a duration of three to five years. Also included in this account balance are leases for reproduction equipment, which usually span a period of three to four years. With the exception of reproduction equipment, the current policy of the PTO is to purchase rather than lease capital assets.



INVESTED CAPITAL is the book value of capitalized fixed assets which were purchased with appropriations from general taxpayer revenue. Since the PTO is no longer funded from taxpayer revenues, this account balance will decrease each year as depreciation expense is realized. The balance in this account was $8 million on September 30, 1994, a decrease of 20 percent from the balance of $10 million on September 30, 1993.

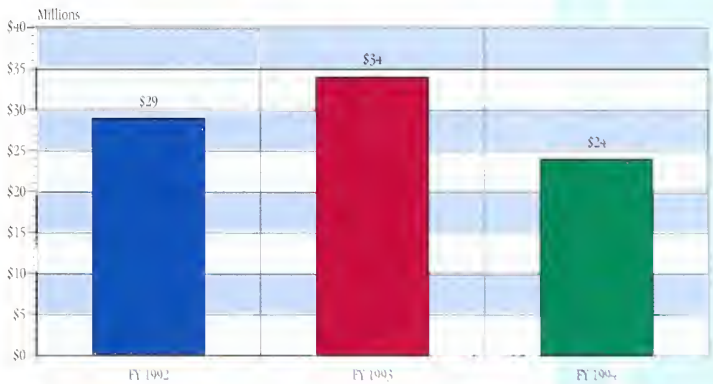
CUMULATIVE RESULTS OF OPERATIONS represent the total unrestricted net operating gain which has been realized over the years. The balance in this account does not include surcharge fees which have been earned but not appropriated for use. The equity position associated with the surcharge fees is shown separately. This account does not reflect charges for future funding requirements of approximately $24 million and outstanding purchase orders valued at $102 million.

SURCHARGE FEE EQUITY is a segment of net position. This portion of the equity position is segregated due to restrictions associated with the availability of the surcharge fees. Although these fees were earned, additional action by Congress is required to make these balances available for use by the PTO. Total surcharge fee equity reached $35 million at the end of FY 1994.



The above chart does not reflect future funding requirements which decrease equity.

FUTURE FUNDING REQUIREMENTS include annual leave accrued but not used as well as future lease payments. The decrease of $10 million, or 30 percent, was mainly due to lease buyouts, and reduction in the number of new capital lease arrangements in FY 1994, and reductions in the outstanding balance of future payments for existing capital leases.



SIGNIFICANT ACTIONS, ACCOMPLISHMENTS AND RESULTS

FINANCIAL MANAGEMENT

In June 1993, the Office of Management and Budget (OMB) recommended quantitative indicators to monitor progress towards improved financial management. The following chart depicts the goals or target performance established by OMB for FY 1994 and the performance of the PTO during that period.

MEASURE	*TARGET PERFORMANCE*	*PTO PERFORMANCE*
Percent of Timely Vendor Payments	95%	99%
Percent of Payroll by Electronic Transfer	90%	95%
Percent of Agency Locations Fully Reconciled	95%	100%
Timely Posting of Inter-agency Charges	30 days	20 days
Timely Reports to Central Agencies	95%	100%
Timely Travel Payments Avg. Processing Time	15 days	4 days
Audit Opinion on FY 94 Financial Statement	Unqualified	Unqualified
Material Weaknesses Reported by Auditor	None	None

FINANCIAL SYSTEMS: Prior to October 1, 1991, the majority of the accounting activities were performed by an administrative center within the National Oceanographic and Atmospheric Administration (NOAA). At the beginning of FY 1992, the PTO implemented the Federal Financial System (FFS) and assumed responsibility for all accounting records. Software and hardware support for the core system are supplied via a cross-servicing arrangement with the U. S. Geological Survey of the Department of the Interior.

Other improvements and planned enhancements to PTO's financial management system include: 1) a major enhancement to the procurement subsystem; 2) improvements to the travel subsystem; 3) the redevelopment of the revenue accounting system; 4) a re-engineering of the budget process; 5) the development of a system to monitor Position and Full Time Equivalent (FTE) levels; 6) an interface of the property subsystem to the core financial system; and 7) the development of Electronic Commerce capabilities.

MANAGEMENT CONTROLS: For fiscal year 1994, the PTO provided reasonable assurance of compliance with the provisions of the Federal Managers Financial Integrity Act. As required by OMB circular A-130, weaknesses in existing subsystems were identified in prior years and reported to the Department of Commerce. The implementation of compensating management controls allowed the PTO to provide the assurance referenced above. No additional material deficiencies were identified or reported in FY 1994, and progress continues to correct weaknesses identified in earlier years. Reported weaknesses and anticipated dates for full correction follow.

SECTION 2 MATERIAL WEAKNESSES	CORRECTION DATE
System Security Weaknesses in the Cash Receipts/Deposit Accounts System (A Privacy Act Records System)	1995
SECTION 4 MATERIAL NON CONFORMANCE	
Violation of Financial Information Standards in Cash Receipts/Deposit Accounts System	1995

DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
STATEMENT OF FINANCIAL POSITION
As of September 30, 1994 and 1993

ASSETS	1994	1993
Entity Assets:		
Intragovernmental Assets:		
Fund Balance With Treasury (note 2)	$284,206,145	$207,484,842
Advances and Prepayments	937,610	936,230
Governmental Assets:		
Accounts Receivable, Net	499,227	76,246
Property and Equipment, Net (note 3)	51,436,575	42,195,340
Total Entity Assets	$337,079,557	$250,692,658
LIABILITIES		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable	$ 3,993,132	$ 1,895,044
Governmental Liabilities:		
Accounts Payable	24,991,865	17,362,219
Accrued Payroll & Benefits	18,398,354	15,213,719
Actuarial Liability (note 4)	2,356,889	0
Customer Deposit Accounts	32,421,236	27,400,204
Deferred Revenue (note 5)	129,095,599	106,315,092
Total Liabilities Covered by Budgetary Resources:	211,257,075	168,186,278
Liabilities not covered by Budgetary Resources:		
Governmental Liabilities:		
Capital Leases (note 6)	9,435,323	20,410,156
Accrued Annual Leave	14,205,493	13,125,630
Total Liabilities not Covered by Budgetary Resources	23,640,816	33,535,786
Total Liabilities	$234,897,891	$201,722,064
NET POSITION		
Balances:		
Invested Capital	$ 8,327,877	$ 10,444,239
Cumulative Results of Operations	82,389,606	51,628,142
Surcharge	35,104,999	20,433,999
Future Funding Requirements	(23,640,816)	(33,535,786)
Total Net Position	102,181,666	48,970,594
Total Liabilities and Net Position	$337,079,557	$250,692,658

The accompanying notes are an integral part of these statements.

DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
For the years ended September 30, 1994 and 1993

	1994	1993 (unaudited)
REVENUES AND FINANCING SOURCES		
Revenues from Sales of Goods and Services		
To the Public	$541,593,879	$488,417,591
Intragovernmental	11,338	185,937
Appropriated Capital Used (note 1)	2,116,362	4,920,078
Total Revenues and Financing Sources	543,721,579	493,523,606
EXPENSES		
Program or Operating Expenses (note 7)	469,147,924	444,616,546
Depreciation and Amortization	16,889,332	12,249,743
Change in Actuarial Liability (note 4)	(604,882)	0
Total Expenses	485,432,374	456,866,289
Excess of Revenues and Financing Sources Over Total Expenses	$ 58,289,205	$ 36,657,317
Net Position, Beginning Balance, as Previously Stated	$ 48,970,594	$ 17,233,355
Cumulative Effect of a Change in Accounting Principle (note 4)	(2,961,771)	0
Net Position, Beginning Balance, as Restated	46,008,823	17,233,355
Excess of Revenues and Financing Sources Over Total Expenses	58,289,205	36,657,317
Decrease in Invested Capital	(2,116,362)	(4,920,078)
Net Position, Ending Balance	$102,181,666	$ 48,970,594

The accompanying notes are an integral part of these statements.

DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
STATEMENT OF CASH FLOWS (INDIRECT)
For the years ended September 30, 1994 and 1993

	1994	1993 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenues and Financing Sources over Total Expenses	$ 58,289,205	$ 36,657,317
Adjustments Affecting Cash Flow:		
Appropriated Capital Used	(2,116,362)	(4,920,078)
(Increase) Decrease in Accounts Receivable	(422,981)	731,813
Increase in Other Assets	(1,380)	(513,782)
Increase in Accounts Payable	9,727,734	12,665,908
Increase (Decrease) in Other Liabilities	33,343,063	(10,578,574)
(Decrease) Increase in Capital Lease Liability	(10,974,833)	4,557,939
Depreciation and Amortization	16,889,332	12,249,743
Other Unfunded Expenses	1,079,863	311,506
Cumulative Effect of Change in Accounting Principle (note 4)	(2,961,771)	0
Total Adjustments	44,562,665	14,504,475
Net Cash Provided by Operating Activities	102,851,870	51,161,792
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(26,130,567)	(18,265,033)
Net Cash Used in Investing Activities	(26,130,567)	(18,265,033)
Net Cash Provided by Operating and and Investing Activities	76,721,303	32,896,759
Fund Balances with Treasury and Cash, Beginning	207,484,842	174,588,083
Fund Balances with Treasury and Cash, Ending	$284,206,145	$207,484,842

The accompanying notes are an integral part of these statements.

DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES
For the year ended September 30, 1994

	BUDGET		ACTUAL
	OBLIGATIONS		
	Resources	Direct	Reimbursed	Expenses
Salaries & Expense/Surcharge	$569,159,702	$88,329,000	$442,556,936	$485,432,374
Budget Reconciliation:				
Total Expenses		$485,432,374		
Add:				
Capital Acquisitions		26,130,567		
Capital Lease Payments		11,468,295		
Change in Actuarial Liability		604,882		
Less:				
Fiscal Year 1994 Capital Lease Acquisitions		505,778		
Depreciation and Amortization		16,889,332		
Annual Leave Expense		1,079,863		
Other		29,805		
Accrued Expenditures		505,131,340		
Less: Reimbursements		(443,964,722)		
Accrued Expenditures, Direct		$61,166,618		

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation
As required by the Chief Financial Officers Act of 1990, these financial statements have heen prepared to report the financial position and results of operations of the Patent and Trademark Office (PTO) of the United States. The books and records of the PTO have served as the source of the information contained herein. The Financial Statements have been prepared in accordance with the guidance specified by the Office of Management and Budget (OMB) in Bulletin 94-01, as well as the accounting policies of the PTO; therefore, they may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of PTO's budgetary resources.

Reporting Entity
The Patent and Trademark Office is a program of the U.S. Department of Commerce (DOC) which administers the Nation's patent and trademark laws. Since the passage of the Omnibus Budget Reconciliation Act of 1990 (OBRA), the program has been funded almost entirely by user fees. Prior to fiscal year 1993, the appropriated funds from general taxpayer revenue gradually decreased until PTO became fully fee funded in fiscal year 1993. In fiscal years 1993 and 1994, all revenues were derived from the payment of user fees which are appropriated by Congress for use by the PTO. The bulk of the fees collected are offsetting collections which are retained by the PTO until expended; however, the surcharge imposed on statutory patent fees with the enactment of the OBRA constitute offsetting receipts. These offsetting receipts are deposited into a restricted account at the U.S. Treasury. The PTO is only authorized to use monies from this account to the extent appropriated by Congress. Thus, the U.S. Treasury makes these funds available to the PTO by the issuance of a warrant each month to the extent such funds were authorized for use. The excess monies are not available to the PTO and are retained in a restricted receipt account hy the U.S. Treasury. Any authorized funding which is not expended during a given fiscal year is carried forward for use in the following fiscal year.

The accompanying financial statements include the accounts for salaries and expense (13X1006), surcharge (13X5127), and customer deposits (13X6542) appropriations, which are under the control of the PTO. The PTO has no lending or borrowing authority.

Budgets and Budgetary Accounting
In fiscal years 1993 and 1994, all funding was received through the collection of user fees. User fee rates are established by rule and law.

Surcharges on patent statutory fees were established by the OBRA. Subsequent pieces of legislation removed the reference to a specific surcharge of 69%, required the PTO to deposit exact amounts of surcharges, and extended the surcharge through the end of fiscal year 1998. These represent offsetting receipts and are available to the entity only to the extent appropriated by Congress. All surcharge fees collected are recorded as revenue. However, any surcharge fees collected by PTO, but not appropriated by Congress for use, are maintained by the U.S. Treasury as restricted funds.

Fees other than the surcharge fees referenced above are offsetting collections and are available to the PTO until expended. Funds authorized but not used in a given fiscal year are carried forward for use in future periods.

Basis of Accounting
Transactions are recorded on the accrual basis of accounting as well as on a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are presented on the accrual basis of accounting.

Revenues and Other Financing Sources
In fiscal years 1993 and 1994, the majority of revenues were derived from the collection of user fees. Appropriations expended in prior years for the purchase of property and equipment are recognized as revenues as the assets are consumed in operations.

Although not material in amount, some financial gifts and gifts-in-kind are received from anonymous donors. Most gifts-in-kind are used for official travel to further the attainment of the mission and management objectives of the PTO. The results of these transactions are not reflected in the PTO statements, but are included in the consolidated Gifts and Bequests Fund statements prepared by the Department of Commerce.

Advance payments which are made by customers are recorded as a liability until a particular service is rendered. Fees which are remitted with initial applications are recorded as deferred revenue until the processing of the application actually begins.

Funds with the U.S. Treasury and Cash
Commercial bank accounts are maintained to deposit revenues collected. All monies maintained in such accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, some customer deposits are wired directly to the Federal Reserve Bank. All banking activity is conducted in accordance with the directives issued by the Financial

Management Service of the U.S. Treasury Department. With the exception of those which are restricted, funds with the U.S. Treasury and cash are available to pay current liabilities and to finance duly authorized purchases. All disbursements are processed by the Philadelphia Regional Finance Center of the U.S. Treasury Department. Finally, cash balances held outside the U.S. Treasury Department are not material and are used as imprest funds to facilitate small purchases, local travel, and emergency salary advances.

Property and Equipment
The buildings in which the PTO operates are leased from private concerns by the General Services Administration (GSA). Long-term leases are negotiated by GSA and appropriate rent charges are levied. The rental rates assessed by GSA and paid by the PTO approximate the market rates for similar commercial properties.

Automated data processing software purchased "off the shelf" with an estimated service life of two years or greater is capitalized when the cost exceeds $25,000.

The costs for developing APS software are capitalized when incurred for creating the detailed design, coding, and final testing of the software. Software costs are divided into two major categories: Text Search and Classified Search and Image Retrieval (CSIR).

Bulk purchase costs of furniture, with an estimated service life of two years or greater are capitalized when the total monetary value of the purchase order/delivery order equals or exceeds $50,000 (including shipping and installation).

APS Hardware, equipment and other assets with an individual unit cost of $5,000 or greater (including shipping and installation) and an estimated service life of two years or greater is capitalized. In instances other than those listed above, the entire cost is recorded as an expense upon receipt of the equipment or other asset, with the following exceptions:

(1) The total amount of the order, including shipping and installation, is capitalized if the equipment procured is made via a major contract.
(2) The total amount of the order, including shipping and installation, is capitalized if the procurement represents the initial purchase of equipment in connection with the installation of a major system.
(3) If the procurement represents the purchase of additional items for an existing major system, only those items with an individual unit cost of $5,000 or greater will be capitalized.

Depreciation is calculated using the straight line method over the following service lives: APS equipment 3-10 years, APS software 3-11 years, Furniture 5 years, ADP equipment 3 years, ADP software 3 years, Equipment 3 years and Assets under Capital Lease 3-7 years.

Advances and Prepayments
Payments made in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received. PTO rendered prepayments to the U.S. Geological Survey for approximately $470,000 and $936,000 in fiscal years 1994 and 1993, respectively. These prepayments were made in anticipation of services to be provided under a cross-service agreement relating to the Federal Financial System.

Liabilities
Liabilities represent the amount of monies or other resources that are likely to be paid by the PTO as the direct result of an event that has already occurred. All such liabilities recognized in fiscal years 1994 and 1993 have been fully funded except for the accrual for annual leave and the commitments under capital leases. However, no liability can be paid by the PTO unless appropriate funding is available. Also, liabilities of the PTO arising from other than contracts can be abrogated by the government acting in its sovereign capacity.

Annual, Sick, and Other Leave
Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. An appropriate adjustment is made at the end of each fiscal year to ensure that the balance in the accrued annual leave account reflects current pay rates. To the extent current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources.

Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued by an individual but not taken is transferred to the Office of Personnel Management upon the retirement of that individual.

Retirement Plan
PTO employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, can elect to join either FERS and Social Security or remain in CSRS.

For those employees covered by the CSRS, the PTO makes contributions equivalent to 7 percent of the employee's pay. For those covered by the FERS, the PTO makes contributions equal to approximately 13 percent.

All employees are eligible to contribute to a thrift savings plan. For those employees participating in the FERS, a thrift savings plan is automatically established, and the PTO makes a mandatory one percent contribution to this plan. In addition, PTO makes matching contributions, ranging from 1 percent to four percent, for FERS eligible employees who contribute to their thrift savings plans. No matching contributions are made to the thrift savings plans established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security Program after retirement. In these instances, the PTO remits the employer's share of the required contribution.

The financial statements of the PTO do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management.

Comparative Data
1993 Financial Statements were reclassified and restated to conform with the 1994 presentation.

NOTE 2. Fund Balance with Treasury and Cash

Fund Balance with Treasury and cash consisted of the following as of September 30:

	Available	*Restricted*	*1994*	*1993*
Appropriated Funds	$216,664,910	$ 0	$216,664,910	$159,635,639
Deposit Accounts	0	32,421,236	32,421,236	27,400,204
Surcharge	0	35,104,999	35,104,999	20,433,999
Cash	15,000	0	15,000	15,000
Total Fund Balances and Cash	$216,679,910	$ 67,526,235	$284,206,145	$207,484,842

Deposit Account balances represent advance payments by customers for future services.

Surcharge represents fees earned but not available for use.

NOTE 3. Property and Equipment

Property and Equipment consisted of the following as of September 30, 1994:

	Service Life (Years)	*Acquisition Value*	*Accumulated Depreciation*	*Net Book Value*
Classes of Fixed Assets				
APS Equipment	3-10	$ 39,795,517	$26,967,133	$12,828,384
APS Software	3-11	19,471,225	10,018,233	9,452,992
ADP Equipment	3	19,386,929	7,449,855	11,937,074
ADP Software	3	1,558,658	850,975	707,683
Equipment	3	3,390,787	759,600	2,631,187
Assets Under Capital Lease	3-7	18,502,153	9,447,666	9,054,487
Furniture	5	3,851,148	1,244,505	2,606,643
APS Software in Progress		2,218,125	0	2,218,125
Total		$108,174,542	$56,737,967	$51,436,575

NOTE 3. Property and Equipment - *continued*

Property and Equipment consisted of the following as of September 30, 1993:

	Service Life (Years)	*Acquisition Value*	*Accumulated Depreciation*	*Net Book Value*
Classes of Fixed Assets				
APS Equipment	3-10	$20,886,962	$14,833,891	$ 6,053,071
APS Software	3-11	17,833,812	7,974,355	9,859,457
ADP Equipment	3	8,857,467	3,289,388	5,568,079
ADP Software	3	1,341,742	409,608	932,134
Equipment	3	299,885	192,284	107,601
Assets Under Capital Lease	3-7	30,722,883	12,491,546	18,231,337
Furniture	5	2,101,224	657,563	1,443,661
Total		$82,043,975	$39,848,635	$42,195,340

NOTE 4. Actuarial Liabilities

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for PTO employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the PTO. These future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability was determined using the paid losses extrapolation method calculated over the next 23-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using the discount rate of 7% in year one and thereafter. Based on information provided by the Department of Labor, the Department determined that the estimated liability of the PTO as of September 30, 1994 and 1993 was $2,356,889 and $2,961,771, respectively. In prior fiscal years, the PTO recorded these compensation benefits on a cash basis. The PTO has recorded the estimated liability for claims incurred as of September 30, 1994, as the effect of a change in accounting principle. The effect of the decrease in the estimated liability of $604,882 is reflected as a change in actuarial liability on the Statement of Operations and Changes in Net Position. These amounts are expected to be paid in future periods.

NOTE 5. Deferred Revenue

Deferred revenues represent fees received but not yet earned until the related service is provided. Two types of deferred revenues are recorded. The first type results from checks received but not yet deposited. Unearned fees amounted to $40,499,742 and $23,097,015 as of September 30, 1994 and 1993, respectively.

The second type of deferred revenues relate to fees received on applications which underwent the initial processing phase but were not reviewed by a patent examiner or a trademark attorney. Revenues are recognized to the extent of costs incurred in the initial processing phase. The balance of the fees received is considered unearned and amount to $88,595,857 and $83,218,077 as of September 30, 1994 and 1993, respectively.

NOTE 6. Leases

Capital Leases:

PTO has commitments under leases for reproduction, Automated Patent System (APS) and PTONET equipment. APS and PTONET leases are 60 months in duration and reproduction equipment leases are 36-48 months. The future payments due as of September 30 are as follows:

Fiscal Year	*1994*	*1993*
1994	$ 0	$ 8,272,396
1995	4,652,986	7,045,013
1996	3,476,712	3,934,116
1997	2,617,115	2,713,975
1998	555,291	497,812
1999	8,400	0
Total Future Lease Payments	11,310,504	22,463,312
Imputed Interest	1,875,181	2,053,156
Total Capital Lease Liability	$ 9,435,323	$ 20,410,156
Funded	$ 0	$ 0
Unfunded	$ 9,435,323	$ 20,410,156

Operating Leases:

The buildings in which PTO operates are leased by the General Services Administration (GSA), and PTO is charged rent intended to approximate commercial rental rates. The majority of PTO's lease agreements will expire in early fiscal year 1997. The amounts shown below for fiscal years 1997 through 1999 are estimates due to ongoing rent negotiations with GSA.

Fiscal Year	*1994*	*1993 (unaudited)*
1994	$ 0	$ 43,326,000
1995	42,340,000	45,035,000
1996	46,600,000	48,349,379
1997 (estimate)	48,900,000	0
1998 (estimate)	50,700,000	0
1999 (estimate)	52,500,000	0
Total Future Lease Payments	$241,040,000	$136,710,379

Rent expense was $39,018,347 and $38,057,853 in fiscal years 1994 and 1993, respectively.

NOTE 7. Program/Operating Expenses

For the Years Ended September 30

	1994	*1993 (unaudited)*
Operating Expenses by Object Classification		
Personal Services and Benefits	$291,386,886	$266,850,328
Travel and Transportation	830,595	648,496
Rental, Communication and Utilities	46,070,894	45,589,600
Printing and Reproduction	30,326,630	30,233,911
Contractual Services	71,382,620	57,541,316
Supplies and Materials	7,464,602	6,609,359
Equipment not Capitalized	5,931,758	7,783,730
Insurance Claims and Indemnities	13,785	12,000
Other:		
(a) Other services	6,356,131	19,207,716
(b) Training	3,811,531	2,912,801
(c) Maintenance and Repair	5,572,492	7,227,289
Total Expenses by Object Class	$469,147,924	$444,616,546

NOTE 8. Commitments and Contingencies

A. Commitments

In addition to future lease commitments discussed in Note 6, PTO is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders) at fiscal year end. Total undelivered orders for all PTO activities amounted to $102,380,157 and $82,109,985 as of September 30, 1994 and 1993, respectively.

B. Contingencies

In 1991, a contractor asserted a claim for $1.9 million on behalf of two of its equipment subcontractors. The basis of the claim is that PTO's failure to exercise contract options to purchase certain equipment constituted a breach of contract or an improper termination for convenience. The contractor contends that the equipment leased was unique to the PTO procurement, and they have been unable to re-lease it. PTO will vigorously defend the case. A hearing was held in July 1994 before the General Services Board of Contract Appeals. The outcome of this litigation is not known at this time.

PTO is a party in various administrative proceedings, legal actions, and claims brought by or against it, which may ultimately result in settlements or decisions adverse to the federal government. Although the ultimate disposition of these proceedings is not presently determinable, management does not expect that any liability that might ensue would be material to PTO's financial statements.

INSPECTOR GENERAL'S REPORT

INSPECTOR GENERAL'S REPORT ON FINANCIAL STATEMENTS

Mr. Bruce A. Lehman
Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks
Patent and Trademark Office
Washington, D.C.

We have audited the Statements of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1994 and 1993, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the year ended September 30, 1994. These statements are the responsibility of the PTO's management. Our responsibility is to express an opinion on these financial statements based on our audits. Our audit objective with respect to PTO's Fiscal Year 1993 financial statements was limited to reporting on the Statement of Financial Position as of September 30, 1993.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 93-06, *Audits of Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As required by Office of Management and Budget Bulletin No. 94-01, *Form and Content of Agency Financial Statements*, Note 1 to the Principal Statements describes the accounting policies used by the PTO to prepare the financial statements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Statements of Financial Position of PTO as of September 30, 1994 and 1993, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources to Actual Expenses for the year ended September 30, 1994, present fairly, in all material respects, the financial position of PTO as of September 30, 1994 and 1993, and the results of its operations and changes in net position, its cash flows, and budget

and actual expenses for the year ended September 30, 1994, in conformity with the accounting policies described in Note 1.

Our audits were made for the purpose of forming an opinion on the Principal Statements. The information in the other sections of *A Patent and Trademark Office Review* is not a required part of the Principal Statements but is supplementary information required by Office of Management and Budget bulletin No. 94-01, *Form and Content of Agency Financial Statements*. Such information has not been subjected to the auditing procedures applied in the audit of the Principal Statements and, accordingly, we express no opinion on it.

Frank DeGeorge
Inspector General

William H. Pugh, Director
Financial Statements Division

February 10, 1995

INSPECTOR GENERAL'S REPORT ON INTERNAL CONTROL STRUCTURE

Mr. Bruce A. Lehman
Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks
Patent and Trademark Office
Washington, DC

We have audited the Statement of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1994 and 1993, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the year ended September 30, 1994, and have issued our report thereon dated February 10, 1995.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 93-06, *Audits of Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

In planning and performing our audit of the financial statements for the year ended September 30, 1994, we considered PTO's internal control structure in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and to determine whether the internal control structure meets the objectives identified in the following paragraph. Our consideration included obtaining an understanding of the significant internal control structure policies and procedures and assessing the level of control risk relevant to all significant cycles, classes of transactions, or account balances; and for those significant internal control structure policies and procedures that have been properly designed and placed in operation, performing sufficient tests to assess more fully whether the controls are effective and working as designed.

The management of the PTO is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that the Office of Management and Budget, entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and

evaluated; funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; transactions are properly recorded and accounted for to permit the preparation of reliable financial reports in accordance with applicable accounting policies and to maintain accountability over the assets; and data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information. Our evaluation of the controls for performance information was limited to controls to ensure the existence and completeness of the information.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Purchases/Cash disbursements.
- Revenues/Cash receipts.
- Payroll.
- Budget.
- General ledger and reporting.

Our consideration of the internal control structure included all of the categories listed above.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and OMB Bulletin No. 93-06. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to ensure that the objectives of the internal control structure, as previously defined, are being achieved.

We have summarized our internal control findings below. A letter dated March 10, 1995, transmitting our audit report to PTO, includes an attachment to our Report on Internal Control Structure which discusses each of the control weaknesses in more detail and provides specific recommendations on actions PTO should consider taking.

Controls Over Property Should Be Improved
(Repeat Condition)

PTO has not completed its efforts to improve controls over property to ensure that it is properly recorded and safeguarded on an ongoing basis. The balance per the subsidiary ledger maintained by the Office of Administrative Services is not reconciled to the capital asset balance in the general ledger. The subsidiary ledger is inaccurate as acquisitions of property through purchase or lease and disposals of property are not consistently reported to

the Office of Administrative Services. In addition, physical count procedures currently in place do not ensure that accurate and reliable information is reported to property management in a timely manner.

During fiscal year 1993, PTO's Office of Finance hired a contractor to compile a subsidiary ledger and to propose the necessary adjustments to the general ledger. The Office of Finance, with the contractor's assistance, performed a manual review of certain fiscal year 1994 purchase documentation and proposed adjustments to ensure the accuracy of current year additions to this ledger. PTO is in the process of addressing the above issues and has created a project team to determine a uniform process for the management of all personal property. This team will also address the transmittal of pertinent documentation between PTO's offices. PTO expects to complete corrective actions by June 30, 1995.

The Finance Department Should Review General Ledger Coding
(Repeat Condition)

PTO has not fully implemented the new procurement module that would require the Office of Finance to review the accuracy of all general ledger coding of purchase transactions. Our procedures identified several inconsistencies or errors in the coding of purchases of goods or services recorded in the general ledger. As a result, approximately $10.6 million of capital assets that should have been capitalized in accordance with the DOC Handbook were expensed. In addition, approximately $17 million in transactions were misclassified between expense accounts. In July 1994, the Office of Finance began reviewing the accuracy of general ledger coding for program offices using the new procurement module. Full implementation of this module is expected by September 30, 1995.

Cash Receipts Should Be Deposited Timely
(Repeat Condition)

PTO continues to have delays in the deposits of its cash receipts. In July 1994, PTO implemented a reorganization that separated the processing of patent and trademark receipts. At September 30, 1994, the elapsed times from the receipt of funds with an application until their deposit with commercial banking institutions was approximately 13 days and 2 months for patents and trademarks, respectively. These were an increase over the 11 day lag time for both patents and trademarks at September 30, 1993. Unearned fees for checks not deposited amounted to approximately $40 million and $23 million as of September 30, 1994 and 1993, respectively.

A new revenue processing system, the Revenue Accounting Management System, is expected to be implemented by December 1995. This system is expected to solve the problem of untimely deposits.

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A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or material to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness. We noted certain other matters, while not considered to be reportable conditions, that we felt warranted inclusion in this report due to their significance and sensitivity. We have summarized these matters below. A letter dated March 10, 1995, transmitting our audit report to PTO, includes an attachment to our Report on Internal Control Structure which discusses each of the control weaknesses in more detail and provides specific recommendations on actions PTO should consider taking.

Physical Count Procedures for APS Assets Should Be Improved

PTO's planning and controls over the physical count of APS assets were inadequate. The inventory listing used to perform the asset count was inaccurate and did not agree to the subsidiary ledger. PTO and contractor equipment were commingled and PTO personnel were unable to identify the equipment owned by PTO. In addition, count teams were not given adequate instructions. As a result inconsistent information was reported. Significant resources were required to compile and reconcile inventory information with the APS subsidiary ledger.

Controls over Thrift Savings Plan Contributions Should Be Improved
(Repeat Condition)

In our previous audit we found that PTO did not begin the required contribution of 1 percent of gross pay to the Thrift Savings Plan in the correct period and sometimes began it only after significant delays. PTO's Office of Human Resources has initiated a review of all

employees who are currently participating in the Thrift Savings Plan to identify and correct these errors. This review is expected to be completed by September 30, 1995. Subsequent to the issuance of our previous audit report, the Office of Human Resources developed and implemented procedures to prevent errors from occurring in the future. These procedures have not yet been documented in their standard operating procedures manual.

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We have reviewed our findings and recommendations with PTO's financial management and have incorporated their comments as appropriate. Management concurs with our findings and recommendations and will provide an audit action plan in accordance with applicable directives of the Department of Commerce.

We also noted other matters involving the internal control structure and its operation that we have reported to PTO's Associate Commissioner and Chief Financial Officer in a separate letter dated February 10, 1995.

This report is intended for the information of management of the PTO, the Department of Commerce management, and the Office of Management and Budget. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Frank DeGeorge
Inspector General

February 10, 1995

INSPECTOR GENERAL'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Mr. Bruce A. Lehman
Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks
Patent and Trademark Office
Washington, D.C.

We have audited the Statements of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1994 and 1993, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the year ended September 30, 1994, and have issued our report thereon dated February 10, 1995.

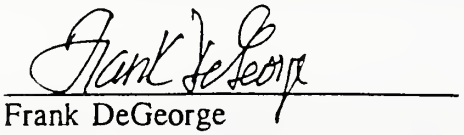
We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 93-06, *Audits of Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Compliance with laws and regulations applicable to the PTO is the responsibility of the PTO's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we tested compliance with those laws and regulations directly affecting the financial statements and certain other laws and regulations designated by the Office of Management and Budget and the PTO. As part of our audit, we also obtained an understanding of management's process for evaluating and reporting on internal control and accounting systems as required by the Federal Managers' Financial Integrity Act (FMFIA) and compared the material weaknesses reported in the Department of Commerce's FMFIA report that relate to the financial statements under audit to the conditions found during the evaluation we conducted of PTO's internal control system. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that with respect to the items tested, the PTO complied in all material respects with the provisions referred to in the preceding paragraph. With respect to

items not tested, nothing came to our attention that caused us to believe the PTO had not complied, in all material respects, with those provisions identified above.

This report is intended for the information of the management of the PTO, Department of Commerce management, and the Office of Management and Budget. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

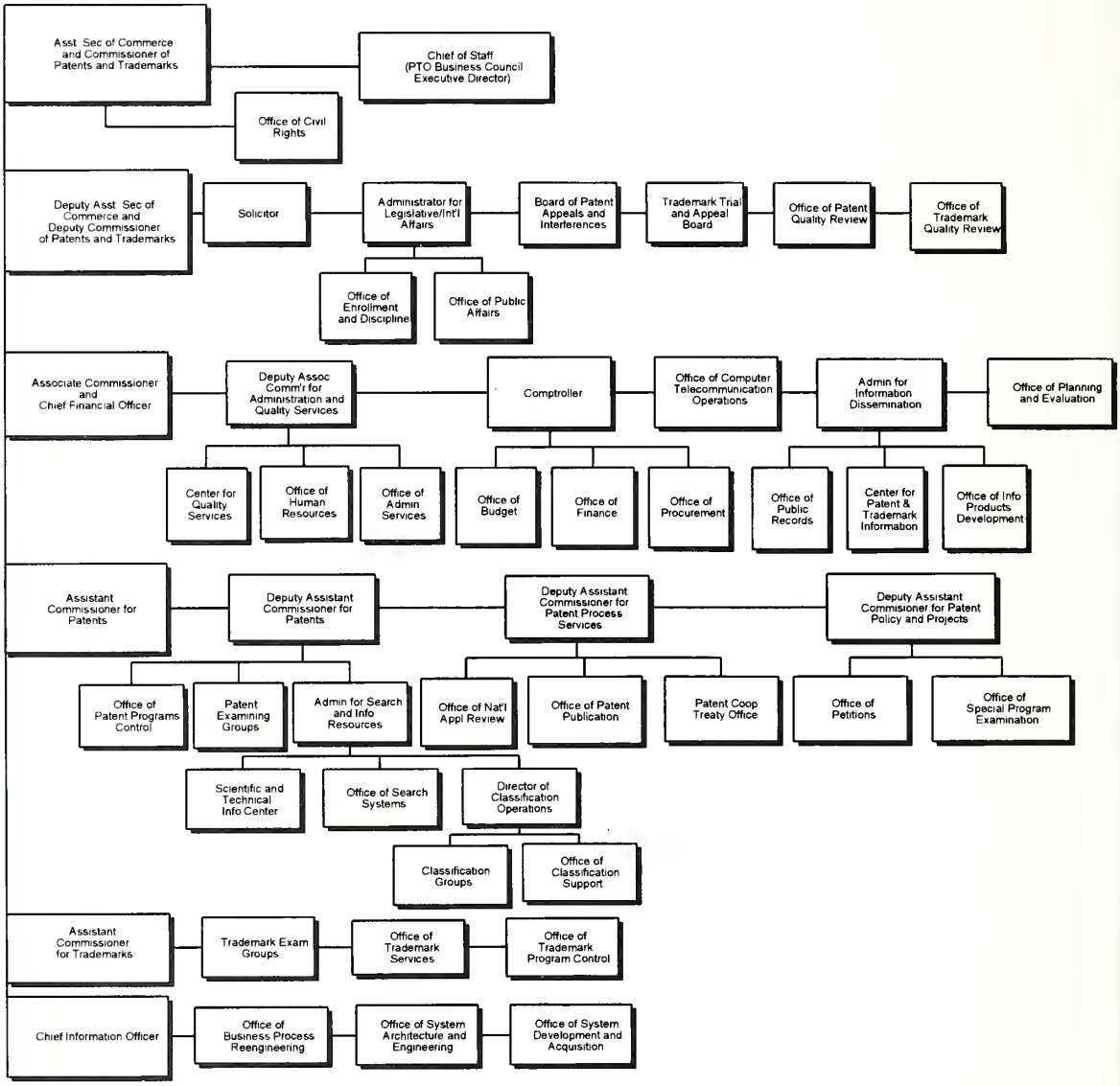


Frank DeGeorge
Inspector General

February 10, 1995

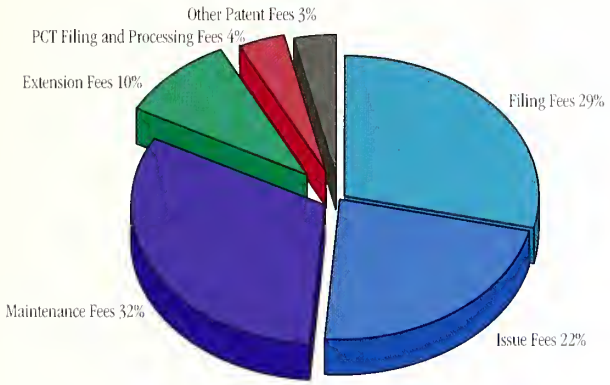
ADDITIONAL INFORMATION

U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

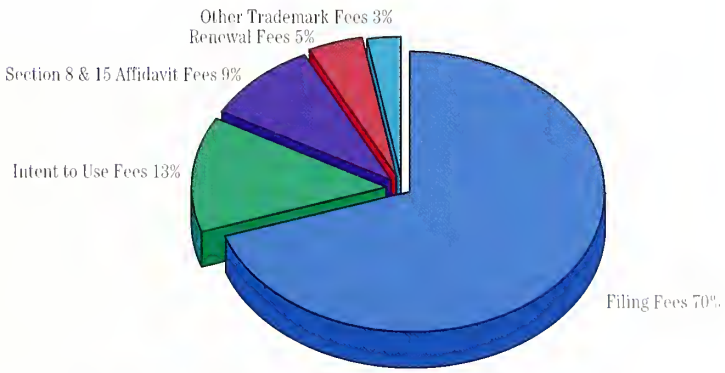


DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
1994 FEE COLLECTIONS BY CATEGORY

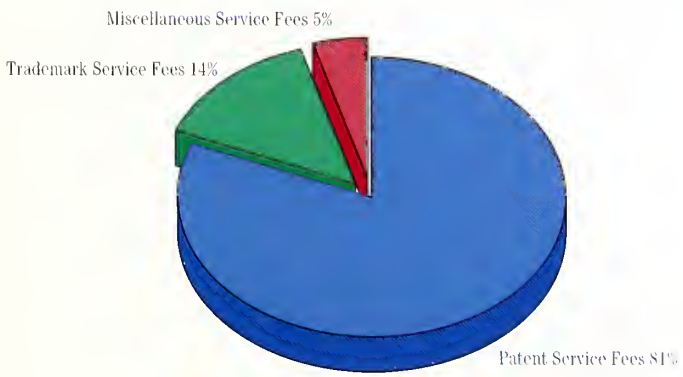
Patent Fee Collections



Trademark Fee Collections



Other Fee Collections



DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
1994 STATEMENT OF OPERATIONS BY PROGRAM - Unaudited
For the year ended September 30, 1994

	PATENTS	*TRADEMARKS*	*OTHER*	*TOTAL*
REVENUES AND FINANCING SOURCES				
Revenues from Sales of Goods and Services				
To the Public	$472,275,784	$45,684,955	$23,633,140	$541,593,879
Intragovernmental	11,338			11,338
Appropriated Capital Used	2,116,362			2,116,362
Total Revenues and Financing Sources	474,403,484	45,684,955	23,633,140	543,721,579
EXPENSES				
Program or Operating Expenses	347,001,961	36,977,050	85,168,913	469,147,924
Depreciation and Amortization	13,779,441	607,710	2,502,181	16,889,332
Changes in Actuarial Liability	(417,369)	(42,342)	(145,171)	(604,882)
Total Expenses	360,364,033	37,542,418	87,525,923	485,432,374
Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	$114,039,451	$ 8,142,537	($63,892,783)	$ 58,289,205

"Other" represents revenue and expenses not directly associated with a patent filing or a trademark registration, but rather those revenues such as service fees or administrative fees and non-direct patent and trademark expenses.

DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
1994 PROGRAM/OPERATING EXPENSES BY PROGRAM - Unaudited
For the year ended September 30, 1994

	PATENTS	*TRADEMARKS*	*OTHER*	*TOTAL*
OPERATING EXPENSES BY OBJECT CLASSIFICATION				
Personal Services and Benefits	$225,427,558	$25,978,907	$39,980,421	$291,386,886
Travel and Transportation	199,865	42,409	588,321	830,595
Rental, Communications and Utilities	30,262,986	4,417,985	11,389,923	46,070,894
Printing and Reproduction	28,267,147	1,288,343	771,140	30,326,630
Contractual Services	48,108,171	2,494,353	20,780,096	71,382,620
Supplies and Materials	4,216,555	481,585	2,766,462	7,464,602
Equipment not Capitalized	3,677,374	644,387	1,609,997	5,931,758
Insurance Claims and Indemnities	0	0	13,785	13,785
Other:				
(a) Other Services	2,534,697	930,220	2,891,214	6,356,131
(b) Training	2,124,753	291,331	1,395,447	3,811,531
(c) Maintenance and Repair	2,182,855	407,530	2,982,107	5,572,492
Total Expenses by Object Class	$347,001,961	$36,977,050	$85,168,913	$469,147,924

Table 1
SUMMARY OF PATENT EXAMINING ACTIVITIES
(As of September 30 of each Fiscal Year)

Patent Examining Activity	*1990*	*1991*	*1992*	*1993*	*1994*
PATENT APPLICATIONS FILED					
Utility[1]	162,708	166,765	171,623	173,619	185,087
Reissue	468	536	581	572	430
Plant	395	414	335	362	606
Design	11,140	10,368	12,907	13,546	15,431
Total Patent Applications Filed	174,711	178,083	185,446	188,099	201,554
FIRST ACTIONS					
Design	13,693	15,503	16,076	16,074	16,832
Utility, Plant, and Reissue	149,425	158,319	165,294	171,799	168,722
PCT/Chapter I	4,644	5,680	7,247	7,459	8,363
PATENT APPLICATIONS ALLOWED[2]					
Design	9,679	10,394	11,013	11,800	12,388
Utility, Plant, and Reissue	96,672	102,014	103,093	104,351	107,221
Total Patent Applications Allowed	106,351	112,408	114,106	116,151	119,609
PATENT APPLICATIONS ABANDONED					
Design	3,991	4,427	4,843	4,681	4,977
Utility, Plant, and Reissue	45,750	53,703	59,199	60,763	64,932
Total Patent Applications Abandoned	49,741	58,130	64,042	65,444	69,909
OTHER PATENT APPLICATIONS DISPOSED					
Statutory Invention Registrations	177	142	278	146	128
TOTAL PATENT APPLICATION DISPOSALS	156,269	170,680	178,426	181,741	189,646
PCT/CHAPTER II EXAMINATIONS COMPLETED	2,168	4,014	5,010	5,851	6,918
PATENTS ISSUED[3]					
Utility	88,974	91,822	99,405	96,676	101,270
Reissue	282	334	375	302	347
Plant	295	318	336	408	513
Design	7,176	9,386	9,612	9,946	11,138
Total Patents Issued	96,727	101,860	109,728	107,332	113,268
ALLOWED APPLICATIONS, ISSUE FEE NOT PAID[4]	3,476	4,854	4,781	5,778	5,883
PENDENCY TIME OF AVERAGE PATENT APPLICATION[5]	18.3	18.2	19.1	19.5	19.0
REEXAMINATIONS REQUESTED[6]	297	307	392	359	379
REEXAMINATION CERTIFICATES ISSUED[6]	224	200	243	293	309
PCT SEARCH REPORTS PREPARED[7]	4,218	6,000	6,586	8,714	10,813
PCT INTERNATIONAL APPLICATIONS RECEIVED BY USPTO AS RECEIVING OFFICE[7]	7,216	9,158	10,929	12,389	14,265
NATIONAL REQUIREMENTS RECEIVED BY USPTO AS RECEIVING OFFICE[7]	5,143	6,247	6,835	7,441	8,778
INTERNATIONAL PRELIMINARY EXAMINATION REPORTS	2,298	3,774	4,678	5,955	8,005
PATENTS RENEWED UNDER P.L. 102-204[8]	49,539	73,954	107,713	114,367	121,104
PATENTS EXPIRED UNDER P.L. 102-204[8]	12,060	19,134	28,603	38,475	38,859

[1]Chemical, electrical and mechanical applications.
[2]"Allowed Patent Applications" are applications awaiting issuance (i.e., publication) as patents.
[3]Excludes withdrawn numbers.
[4]35 U.S.C. § 151.(includes design applications).
[5]Average time (months) between filing and issunace/abandonment of utility, plant, and reissue applications (excluding designs).
[6]Reexamination was instituted on July 1, 1981, in accordance with provisions of P.L. 96-517.
[7]PCT entered into force on January 24, 1978, and applications were accepted for filing beginning June 1, 1978.
[8]Renewal of patents under P.L. 96-517 and P.L. 97-247 now superseded by P.L. 102-204.

Table 2
PATENT APPLICATIONS FILED
(FY 1974 - FY 1994)

Year	*Utility*[1]	*Design*	*Plant*	*Reissue*	*Total*
1974	103,479	4,948	109	391	108,927
1975	101,283	5,751	163	465	107,662
1976[2]	101,807	6,838	144	438	109,227
1977[2]	101,821	7,186	202	564	109,773
1978	100,473	7,440	171	660	108,744
1979	99,516	7,070	166	657	107,409
1980	104,219	7,269	186	641	112,315
1981	106,828	7,197	147	538	114,710
1982	116,052	8,069	193	486	124,800
1983	96,847	8,256	231	370	105,704
1984	109,010	8,446	248	281	117,985
1985	115,893	9,504	244	290	125,931
1986	120,988	9,792	291	332	131,403
1987	125,677	10,766	364	366	137,173
1988	136,253	11,114	377	439	148,183
1989	150,418	11,975	418	495	163,306
1990	162,708	11,140	395	468	174,711
1991	166,765	10,368	414	536	178,083
1992	171,623	12,907	335	581	185,446
1993	173,619	13,546	362	572	188,099
1994	185,087	15,431	606	430	201,554

[1]Chemical, electrical, and mechanical applications.
[2]The Transition Quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 4
PATENTS PENDING PRIOR TO ALLOWANCE[1]
(FY 1974 - FY 1994)

Year	*Awaiting Action by Examiner*	*Total Applications Pending*[2]
1974	47,411	162,447
1975	41,916	146,464
1976[3]	43,776	142,379
1977[3]	60,706	144,542
1978	57,031	144,056
1979	50,085	151,702
1980	64,289	167,533
1981	71,033	181,727
1982	87,659	216,509
1983	102,532	223,101
1984	90,687	219,567
1985	90,648	215,512
1986	80,547	207,774
1987	65,010	209,911
1988	75,678	215,280
1989	92,377	222,755
1990	104,179	244,964
1991	104,086	254,507
1992	112,201	269,596
1993	99,904	244,646
1994	107,824	261,249

[1]Pending at end of period indicated including utility, reissue, plant, and design applications. Does not include allowed applications.
[2]Applications under examination, including those in preexamination processing.
[3]The Transition Quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 3
SUMMARY OF PENDING PATENT APPLICATIONS
(as of September 30, 1994)

Stage of Processing	*Utility, Plant and Reissue Applications*	*Design Applications*	*Total Patent Applications*
IN PREEXAMINATION PROCESSING	28,129	648	28,777
UNDER EXAMINATION			
Awaiting First Action by Examiner	73,043	11,331	84,374
Rejected, Awaiting Response by Applicant	107,155	4,738	111,893
Amended, Awaiting Action by Examiner	22,660	790	23,450
In Interference	1,548	17	1,565
On Appeal and Other[1]	10,937	253	11,190
Total Under Examination	215,343	17,129	232,472
IN POSTEXAMINATION PROCESSING			
Awaiting Issue Fee	27,895	3,193	31,088
Awaiting Printing[2]	24,303	2,753	27,056
D-10s (secret cases in condition for allowance)	3,624	0	3,624
Total in Postexamination Processing	55,822	5,946	61,768
TOTAL PENDING IN PATENT AND TRADEMARK OFFICE	299,294	23,723	323,017

[1] includes cases on appeal and undergoing petitions
[2] includes withdrawn cases

Table 5
PATENTS ISSUED[1]
(FY 1974 - FY 1994)

Year	*Utility[2]*	*Design*	*Plant*	*Reissue*	*Total*
1974	79,300	4,439	211	367	84,317
1975	70,179	3,632	155	398	74,364[3]
1976[4]	75,325	4,781	195	434	80,735[3]
1977[4]	67,972	4,261	164	435	72,832
1978	65,963	3,797	194	366	70,320
1979	51,686	3,269	151	312	55,418
1980	56,618	4,167	137	305	61,227
1981	66,617	3,882	168	343	71,010
1982	59,449	5,299	120	284	65,152
1983	54,744	4,401	219	351	59,715
1984	66,753	4,935	174	287	72,149
1985	69,667	5,058	277	300	75,302
1986	71,301	5,202	227	263	76,993
1987	82,141	6,158	240	254	88,793
1988	77,317	5,740	283	244	83,584
1989	95,831	5,844	728	309	102,712
1990	88,974	7,176	295	282	96,727
1991	91,822	9,386	318	334	101,860
1992	99,405	9,612	336	375	109,728
1993	96,676	9,946	408	302	107,332
1994	101,270	11,138	513	347	113,268

[1]Excludes withdrawn numbers beginning with FY 1978.
[2]Chemical, electrical, and mechanical applications.
[3]In 1975, under the trial voluntary protest program (now abolished), an additional 667 applications were published but not issued. In 1976, there were 1,303 published but not issued.
[4]The Transition Quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 6
STATUTORY INVENTION REGISTRATIONS (SIRs) PUBLISHED
(FY 1990 - FY 1994)

Assignee	*1990*	*1991*	*1992*	*1993*	*1994*
Agriculture	0	0	1	0	0
Air Force	11	14	9	7	6
Army	38	35	25	26	21
Energy	14	17	11	9	6
HHS	0	1	0	0	0
Navy	14	11	20	13	14
TVA	0	0	2	0	0
USA[1]	1	4	6	2	3
Other Than U.S. Government	62	63	66	67	74
Total	141	145	140	124	124

[1]United States of America-no agency indicated in data base.

Table 7
REEXAMINATION [1]
(FY 1990 - FY 1994)

	1990	*1991*	*1992*	*1993*	*1994*
REQUESTS FILED					
By patent owner	124	141	167	147	150
By third party	172	165	168	211	227
Commissioner ordered	1	1	57	1	2
Total	297	307	392	359	379
DETERMINATIONS ON REQUESTS					
Requests granted					
By examiner	243	267	316	311	334
By petition	4	5	5	10	6
Requests denied	36	23	25	29	30
Total	283	295	346	350	370
REQUESTS KNOWN TO HAVE RELATED LITIGATION	27	47	47	75	77
COURT ORDERED REEXAMINATIONS	0	0	0	0	0
AVERAGE AGE OF PATENTS (years)	4.60	5.20	5.00	5.00	[3]
AVERAGE RANGE OF PATENTS (years)	0.0-22.8	0.0-22.8	0.0-18.1	[2]	[3]
AVERAGE CLAIMS PER REQUEST	15.30	15.40	15.40	[2]	[3]
AVERAGE REFERENCES PER REQUEST	9.50	9.60	9.40	9.50	9.60
FILINGS BY DISCIPLINE					
Chemical	90	93	101	111	102
Electrical	113	115	186	138	146
Mechanical	94	99	105	110	131
Total	297	307	392	359	379

[1]Reexamination was instituted on July 1, 1981, in accordance with provisions of P.L. 96-517.
[2]Data for FY 1993 was not available.
[3]Data for FY 1994 was not available.

Table 8
SUMMARY OF CONTESTED PATENT CASES
(Within the Patent and Trademark Office)

Patent and Trademark Office Tribunal Board for Patent Appeals and Interferences	Totals
EX PARTE CASES	
Appeals[1]	
Cases Pending as of 9/30/93	2,273
Cases Filed During FY 94	4,481
Total	6,754
Disposals During FY 94:	
Decided	
Affirmed	1,446
Affirmed-in-Part	362
Reversed	1,036
Total Decided	2,844
Other Disposals	
Dismissed	35
Withdrawn	121
Suspended	0
Total Other Disposals	156
Total Disposals	3,000
Cases Pending as of 9/30/94	3,754
Reconsiderations	
Cases Pending as of 9/30/93	62
Cases Filed During FY 94	212
Total	274
Disposals During FY 94	249
Cases Pending as of 9/30/94	25
INTER PARTES CASES	
Cases Pending as of 9/30/93	395
Cases Declared or Reinstituted During FY 94 (under New Rules[2])	240
Cases Declared or Reinstituted During FY 94 (under Old Rules[2])	0
Total Cases Declared or Reinstituted	240
Total	635
Disposals During FY 94:	
Cases Terminated (under New Rules[2])	250
Cases Terminated (under Old Rules[2])	0
Total Terminated	250
Cases Awaiting Final Board Disposition as of 9/30/94:	
Awaiting the Setting of a Final Hearing	21
Set for Final Hearing	21
Awaiting a Final Decision	47
Total Cases Awaiting Final Board Disposition	89
Cases Pending as of 9/30/94:	
Under New Rules[2]	385
Under Old Rules[2]	0
Total Cases Pending as of 9/30/94	385

[1]Jurisdiction of an appeal passes to the Board of Patent Appeals and Interferences after the examiner has written his answer and after the time for filing a reply brief to the answer has passed.
[2]New Rules effective 2/8/85: 37 CFR 1.601 to 1.688 Old Rules: 37 CFR 1.201 to 1.288

Table 9
U.S. GOVERNMENT AGENCY PATENTS[1]
(FY 1985 - FY 1994)

Agency	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*Total*
Agriculture	43	27	36	37	36	41	50	48	57	38	413
Air Force	144	178	192	134	131	101	115	138	126	129	1,388
Army	206	202	176	116	146	129	113	171	147	193	1,599
Commerce	5	7	11	13	6	6	15	18	21	28	130
Energy	301	260	239	230	216	190	197	217	193	201	2,244
Transportation	4	3	1	0	0	0	2	0	2	1	13
NSA	1	2	1	4	5	2	3	3	5	6	32
EPA	5	2	1	1	3	4	5	4	7	5	37
HHS	30	30	32	32	31	34	41	67	88	97	482
Interior	11	16	10	11	9	7	13	23	9	10	119
NASA	137	109	117	100	125	116	109	166	155	147	1,281
Navy	271	207	206	104	117	170	346	314	333	360	2,428
Postal Service	1	0	1	0	0	0	1	0	0	0	3
TVA	6	9	8	7	4	5	5	2	1	0	47
Treasury	0	0	0	0	0	0	0	0	0	0	0
VA	0	1	1	0	0	0	0	0	0	2	4
USA[2]	1	0	1	1	8	5	10	10	9	3	48
FCC	0	0	0	0	0	0	0	0	0	0	0
Total	1,166	1,053	1,033	790	837	810	1,025	1,181	1,153	1,220	10,268

[1]Data in this table represent utility patents assigned to agencies at the time of patent issue.
[2]United States of America—no agency indicated in data base.

Table 10
PATENTS ISSUED TO RESIDENTS OF THE UNITED STATES
(FY 1991- FY 1994)[1]

State/Territory	*1991*	*1992*	*1993*	*1994*
Alabama	357	324	311	339
Alaska	43	54	52	61
Arizona	855	921	903	1,027
Arkansas	152	170	162	155
California	8,423	9,284	9,216	10,472
Colorado	851	954	995	1,140
Connecticut	1,503	1,642	1,701	1,842
Delaware	491	553	491	513
District of Columbia	67	67	62	44
Florida	1,888	2,114	2,086	2,241
Georgia	720	793	879	925
Hawaii	78	85	88	116
Idaho	221	261	320	350
Illinois	3,040	3,355	3,275	3,266
Indiana	1,108	1,123	1,070	1,137
Iowa	390	417	442	463
Kansas	321	329	319	319
Kentucky	333	329	310	343
Louisiana	491	537	484	475
Maine	104	130	120	149
Maryland	937	1,070	1,058	1,137
Massachusetts	2,105	2,445	2,428	2,669
Michigan	2,830	3,153	2,981	3,295
Minnesota	1,447	1,631	1,702	1,914
Mississippi	111	144	136	166
Missouri	770	832	759	730
Montana	86	109	114	94
Nebraska	149	162	191	173
Nevada	185	172	152	221
New Hampshire	333	361	403	452
New Jersey	3,218	3,189	3,145	3,328
New Mexico	232	261	237	270
New York	4,815	5,047	5,083	5,522
North Carolina	942	933	1,049	1,181
North Dakota	63	63	65	69
Ohio	2,714	3,073	2,929	3,078
Oklahoma	612	672	653	624
Oregon	670	686	819	772
Pennsylvania	2,799	3,027	2,893	3,085
Puerto Rico	13	28	17	33
Rhode Island	222	237	270	275
South Carolina	428	476	517	529
South Dakota	39	35	47	47
Tennessee	568	594	601	684
Texas	3,302	3,704	3,695	4,089
Utah	402	448	448	473
Vermont	132	122	149	173
Virgin Islands	2	2	3	2
Virginia	870	1,013	983	959
Washington	1,016	1,077	1,036	1,117
West Virginia	179	174	202	147
Wisconsin	1,207	1,342	1,314	1,381
Wyoming	47	36	39	51
U.S. Pacific Islands[2]	1	0	1	0
United States[3]	0	0	0	2
TOTAL	54,882	59,760	59,405	64,119

[1]Data includes utility, design, plant, and reissue patents.
[2]Represents residents of American Samoa, Guam, and miscelleneous U.S. Pacific Islands.
[3]No state indicated in data base.

Table 11

UNITED STATES PATENT APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES[1]
(FY 1990 - FY 1994)

Residence	1990	1991	1992	1993	1994
Albania	1	1	1	0	0
Algeria[2]	0	1	0	0	0
Andorra	0	0	0	0	1
Antigua & Barbuda	0	0	4	1	2
Argentina	57	51	59	65	77
Armenia	0	0	1	0	0
Australia	990	844	905	853	1,078
Austria	575	528	563	507	637
Azerbaijan[3]	0	0	0	1	2
Bahamas	7	1	5	8	8
Barbados	1	0	0	0	1
Belarus	0	0	2	6	5
Belgium	630	619	676	666	841
Belize	0	0	0	0	0
Bermuda	3	4	2	1	3
Bolivia	0	0	0	0	1
Brazil	113	103	115	106	161
British Virgin Islands	0	0	2	1	1
Brunei	0	0	0	0	0
Bulgaria[4]	36	7	9	5	3
Burma	1	0	0	0	0
Canada	3,965	3,905	3,975	4,196	4,638
Cayman Islands	3	2	2	1	1
Chile	10	13	9	13	8
China (mainland)	122	109	133	124	114
Cocos (Keeling) Islands	0	0	0	0	0
Colombia	10	9	13	4	16
Comoros	0	1	0	0	0
Cook Islands	0	0	0	0	1
Costa Rica	8	3	6	5	24
Croatia	0	0	0	3	11
Cuba	0	4	6	0	3
Cyprus	1	1	2	2	2
Czechoslovakia	49	30	34	28	30
Denmark	408	455	397	496	537
Dominican Republic	1	1	1	1	2
Ecuador	4	1	1	5	1
Egypt	5	4	9	6	3
Estonia	0	0	0	0	2
Finland	582	616	531	576	705
France	4,838	4,948	4,757	4,554	4,790
Georgia	0	0	0	0	2
Germany, Fed. Republic of[5]	11,736	10,952	10,851	10,550	11,539
Ghana	0	0	0	1	0
Greece	30	21	26	23	25
Guatemala	2	1	3	1	2
Guinea	0	0	1	0	0
Guyana	1	1	0	0	0
Haiti	0	2	0	1	1
Honduras	0	1	0	0	2
Hong Kong	265	253	315	303	385
Hungary	131	107	86	61	73
Iceland	4	5	16	4	6
India	64	52	56	54	64
Indonesia	3	9	15	11	5
Iran	5	7	1	9	4
Iraq	3	0	0	0	0
Ireland	122	128	118	102	152
Israel	632	663	747	833	998
Italy	2,265	2,209	2,345	2,159	2,160
Jamaica	1	4	1	1	3
Japan	34,309	36,489	38,135	36,148	36,912
Jordan	2	5	0	0	1
Kazakhstan[6]	0	0	0	1	1
Kenya	3	1	3	2	2
Korea, Dem. Republic of	22	11	6	0	2
Korea, Repuhlic of	768	1,132	1,444	1,512	2,177
Kuwait	4	1	2	1	1
Lehanon	0	2	0	2	1
Liechtenstein	9	18	14	14	19
Lithuania	0	0	0	1	0
Luxembourg	41	48	58	49	41
Macau	0	0	0	1	1
Malaysia	14	25	24	18	44
Mali	1	0	0	0	0
Malta	1	0	3	3	1
Marshall Islands	0	0	0	1	0
Mauritius	0	1	0	1	1
Mexico	71	114	104	92	117
Moldova Republic	0	0	0	0	1
Monaco	5	5	5	6	3
Mongolia	0	0	0	0	1
Montserrat	0	0	0	0	1
Morocco	0	0	4	2	3
Namibia	0	0	0	0	1
Nauru	0	1	0	0	0
Netherlands	1,740	1,580	1,579	1,548	1,549
Netherlands Antilles	0	0	0	2	2
Neutral Zone	0	1	0	0	0
New Caledonia	0	0	0	1	0
New Zealand	142	105	116	103	148
Nicaragua	0	1	0	1	0
Nigeria	3	2	1	6	2
Norway	170	169	198	198	196
Oman	0	1	1	0	0
Pakistan	1	0	5	0	1
Panama	3	3	1	0	6
Peru	2	5	3	5	8
Philippines	8	12	10	6	6
Poland	17	14	17	24	26
Portugal	13	3	9	12	8
Romania[7]	1	1	2	4	5
Russian Federation	0	0	12	115	200
Saudi Arabia	5	11	14	17	21
Senegal	0	1	0	0	0
Singapore	45	68	76	100	134
Slovakia[8]	0	0	0	1	5
Slovenia	0	0	5	24	15
Solomon Islands	0	0	0	0	0
South Africa	208	185	203	228	238
Soviet Union	375	186	165	70	22
Spain	321	314	316	285	367
Sri Lanka	3	2	0	1	1
St. Christ-Nevis	0	0	0	0	1
St. Vincent/Grenadines	0	0	0	1	0
Swaziland	1	0	1	0	0
Sweden	1,192	1,200	1,066	1,162	1,492
Switzerland	2,055	1,953	1,839	1,937	1,922
Syria	1	0	0	1	0
Taiwan	2,221	2,541	2,957	3,370	3,847
Tanzania	0	1	0	0	0
Thailand	13	9	24	13	24
Trinidad & Tobago	0	2	2	3	3
Tunisia	1	0	3	0	1
Turkey	6	3	1	4	4
Uganda[9]	0	0	1	4	0
Ukraine	0	0	0	18	17
United Arab Emirates	4	1	2	0	4
United Kingdom	5,326	4,739	4,537	4,503	5,104
Uruguay	3	2	3	9	3
Uzbekistan	0	0	1	1	1
Vatican City	0	0	0	0	1
Venezuela	44	46	58	30	51
Vietnam	0	0	0	0	1
Yemen[10]	0	0	0	1	0
Yugoslavia	41	35	38	11	10
Zaire	1	0	0	0	0
Zimbabwe	2	2	3	1	1
Other[11]	0	2	3	8	12
Total	76,902	77,729	79,875	78,029	85,920

[1]Data include utility, design, plant, and reissue applications. Country listings include possessions and territories of that country unless separately listed in the table.
[2]FY 1993 data for Algeria corrected to indicate no applications filed.
[3]FY 1993 data for Azerbaijan corrected to indicate one application filed.
[4]FY 1993 data for Bulgaria corrected to indicate five applications filed.
[5]Germany now includes applications filed by residents of the territory which prior to October 3, 1990 was the Democratic Republic of Germany.
[6]FY 1993 data for Kazakhstan corrected to indicate one application filed.
[7]FY 1993 data for Romania corrected to indicate four applications filed
[8]FY 1993 data for Slovakia corrected to indicate one application filed.
[9]FY 1993 data for Uganda corrected to indicate four applications filed.
[10]FY 1993 data for Yemen corrected to indicate one application filed.
[11]Country of origin information not available

Table 12
PATENTS ISSUED BY THE UNITED STATES TO RESIDENTS OF FOREIGN COUNTRIES (FY 1991 - FY 1994)[1]

Residence	*1991*	*1992*	*1993*	*1994*
Andorra	0	0	1	0
Antigua	1	0	0	1
Argentina	17	21	30	27
Australia	550	550	433	533
Austria	367	424	320	337
Bahamas	7	2	4	0
Barbados	0	1	0	0
Belgium	356	382	351	410
Belize	1	0	0	0
Bermuda	0	0	0	2
Brazil	61	55	58	57
British Virgin Islands	1	1	1	2
Bulgaria	17	4	5	2
Canada	2,184	2,311	2,198	2,275
Cayman Islands	1	4	0	2
Chile	5	6	11	6
China (Mainland)	48	50	58	41
Colombia	2	5	8	7
Costa Rica	1	5	3	7
Croatia	0	0	0	3
Cuba	0	0	1	5
Cyprus	1	0	1	2
Czechoslovakia	33	18	17	20
Denmark	280	263	288	260
Dominican Repuhlic	2	1	0	1
Ecuador	3	0	1	3
Egypt	1	3	1	4
Faroe Islands	0	0	0	1
Finland	332	368	328	337
France	3,094	3,332	3,165	3,051
French Polynesia	1	0	0	0
Germany[2]	7,548	7,960	7,172	7,024
Greece	11	10	7	16
Guadeloupe	0	0	0	1
Guatemala	2	3	1	2
Guyana	1	1	0	0
Haiti	0	0	0	0
Honduras	0	0	1	0
Hong Kong	209	169	174	200
Hungary	87	84	78	50
Iceland	0	5	4	6
India	28	23	21	33
Indonesia	1	6	7	9
Iran	2	1	1	1
Ireland	49	61	63	53
Israel	304	377	358	354
Italy	1,379	1,455	1,452	1,376
Jamaica	2	1	0	0
Japan	21,464	23,481	22,942	23,764
Jordan	0	1	0	0
Kenya	1	1	3	0
Korea, Dem. Republic of	2	0	1	1
Korea, Republic of	413	543	789	941
Kuwait	0	2	2	1
Lebanon	1	1	1	1
Liechtenstein	13	11	14	11
Luxembourg	42	36	37	48

Residence	*1991*	*1992*	*1993*	*1994*
Malaysia	10	8	22	16
Malta	0	0	2	1
Mauritius	0	1	1	1
Mexico	44	44	44	56
Monaco	6	6	6	6
Morocco	0	1	1	0
Netherlands	1,043	1,019	961	944
Netherlands Antilles	1	1	0	0
New Zealand	49	58	50	54
Nicaragua	0	0	1	0
Nigeria	1	2	0	0
Norfolk Island	0	0	0	0
Norway	111	120	120	128
Oman	0	0	1	0
Pakistan	0	1	0	1
Panama	1	1	1	0
Paraguay	1	0	0	0
Peru	2	4	2	2
Philippines	9	10	6	1
Poland	10	8	7	6
Portugal	9	9	2	6
Romania	1	0	2	1
Russian Federation	0	0	2	22
San Marino	0	0	0	1
Saudi Arabia	7	7	4	9
Senegal	0	1	0	0
Singapore	24	23	46	58
Slovenia	0	0	1	10
South Africa	114	113	89	99
Soviet Union	194	89	68	63
Spain	159	177	160	181
Sri Lanka	0	2	3	0
St.Vincent/The Grenadines	0	0	0	1
Sweden	843	747	743	754
Switzerland	1,384	1,369	1,193	1,225
Syria[3]	0	2	0	0
Taiwan	1,000	1,195	1,453	1,709
Tanzania	0	0	1	0
Thailand	3	1	12	13
Trinidad & Tobago	1	3	0	2
Tunisia	0	1	0	1
Turkey	2	4	0	1
Uganda	0	0	0	3
Ukraine	0	0	0	5
United Arab Emirates	2	1	1	1
United Kingdom	2,974	2,851	2,462	2,424
Uruguay	0	2	0	0
Uzbekistan	0	0	0	1
Venezuela	21	28	28	31
Yemen	0	0	0	1
Yugoslavia	27	20	20	19
Zimbabwe	0	1	1	4
TOTALS	46,978	49,968	47,927	49,149

[1]Data include utility, design, plant, and reissue patents. Country listings include possessions and territories of that country unless separately listed in the table.
[2]Germany now includes patents granted to residents of the territoy which prior to October 3, 1990 was the Democratic Republic of Germany.
[3]FY 1992 was corrected to indicate the issuance of two patents to Syria.

Table 13
PATENT CLASSIFICATION ACTIVITY
(1991-1994)

Classification Activity	*1991*	*1992*	*1993*	*1994*
Original Patents Professionally Reclassified - Completed Projects	103,722	118,339	127,702	138,467
Subclasses Established	2,426	4,001	6,358	5,056
Reclassified Patents Clerically Processed:				
Original U.S. Patents	58,151	121,184	124,758	131,062
Cross-Reference U.S. Patents	86,762	193,820	262,400	232,143
Foreign Patents[1]	139,000	194,000	283,230	139,042
Total Patents Reclassified[2]	283,913	509,004	670,388	502,247

[1]FY 93 actual count based on new automated system introduced in FY93.
[2]FY 91 total corrected from prior number of 283,943.

Table 14
SCIENTIFIC AND TECHNICAL INFORMATION CENTER ACTIVITY

Scientific and Technical Information Center Activity	*FY 1994*
Literature Collections and Services	
Additions to the Literature Collections:	
Books Purchased	2,654
Journal Subscriptions Purchased	1,751
Journal Issues Received	25,057
Literature Services Provided:	
Documents Circulated	3,467
Interlibrary Loans Processed	29,629
On-Line Commercial Data Base Searches	10,792
Sequence Searches Completed	2,501
Number of Sequences Searched	20,524
Reference Questions Completed	11,088
Foreign Document Collections and Services	
Additions to the Foreign Patent Document Collections:	
Microfilm Reels	4,351
Microfiche	86,602
CD-ROM	1,373
Documents in Paper Form (Unique)	974,496
Journals	3,979
Foreign Document Services Provided:	
Words of Foreign Material Translated (written)	14,421,089
Documents Orally Translated	3,366
Copies of Foreign Patents Provided	10,580
Microfilm Reels Furnished for Copying	103,546
On-line and Manual Searches Completed	9,643
Reference Questions Completed	11,974

Table 15
SUMMARY OF TRADEMARK EXAMINING ACTIVITIES
(FY 1988 - FY 1994)

Item	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*
Applications for Registration Filed	76,813	83,169	127,294	120,365	125,237	139,735	155,376
Disposal of Trademark Applications:							
Applications Maturing to Registration	52,461	58,599	63,924	49,810[1]	69,691	86,122	68,853
Applications Abandoned	13,647	15,097	17,210	20,721	26,435	40,752	42,467
Trademark First Actions	79,425	79,382	92,612	134,988	136,047	131,191	147,343
Applications Approved for Publication	61,656	65,178	76,355	95,757	110,940	94,161	97,347
Certificates of Registration Issued:[2]							
1946 Act Principal Register	45,090	49,744	54,178	39,398	49,404	54,937	38,238
Principal Register							
ITU-Statements of Use Registered	n/a	n/a	0	2,397	10,345	17,174	19,563
1946 Act Supplemental Register	1,614	2,058	2,337	1,357	2,318	2,238	1,996
Total	46,704	51,802	56,515	43,152	62,067	74,349	59,797
Renewal of Registration:							
Applications Filed	6,763	6,127	6,602	5,634	6,355	7,173	7,004
Applications Abandoned	23	86	68	86	90	122	86
Registrations Renewed	5,884	9,209	7,122	6,416	5,733	6,182	6,136
Affidavits, Sec. 8/15:							
Affidavits Filed	18,316	17,986	20,636	25,763	20,982	21,999	20,850
Affidavits Disposed	18,699	17,290	19,630	20,869	23,186	19,279	17,846
Affidavits for Benefits							
Under Sec. 12(c)							
Affidavits Filed	23	104	5	1	25	5	4
Affidavits Abandoned	0	0	0	0	0	0	0
Published Under Sec. 12(c)	29	84	19	19	13	21	11
Amendments to Allege Use Filed	n/a	n/a	747	3,259	3,255	3,138	4,033
Statements of Use Filed	n/a	n/a	113	6,773	14,275	25,837	22,057
Notice of Allowance Issued	n/a	n/a	2,380	23,602	42,432	53,053	40,741
Pendency Time of Average							
Trademark Application:[3]							
Between Filing and Examiner's							
First Action — All Applications	2.5	2.8	4.8	4.3	3.1	4.0	5.2
Between Filing, Registration							
(Use Applications Only)							
and Abandonments	13.3	13.8	15.3	16.7	15.1	14.4	16.3
Between Filing and Issuing a							
Notice of Allowance							
(intent to use applications only)	n/a	n/a	n/a	13.3	13.8	13.0	15.9
Total Active Certificates of Registration	n/a	n/a	675,913	690,745	834,858	712,000	727,983

[1]Adjusted to include Intent To Use registrations.
[2]With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.
[3]Average pendency time in months.

Table 16
TRADEMARK APPLICATIONS FILED FOR REGISTRATION AND RENEWAL AND TRADEMARK AFFIDAVITS FILED (FY 1975 - FY 1994)

Year	*For Registration*	*For Renewal*	*Section 8 Affidavit*	*Sec. 12(c) Affidavit*
1975	33,898	5,687	14,644	29
1976[1]	37,074	6,833	15,665	24
1977[1]	44,539	5,854	13,463	30
1978	50,106	5,567	13,351	77
1979	50,672	5,623	13,864	10
1980	52,149	5,892	13,633	85
1981	55,152	5,693	17,071	40
1982	73,621	5,760	15,068	55
1983	51,014	5,438	12,544	46
1984	61,480	5,926	13,519	5
1985	64,677	5,275	8,823	29
1986	69,253	5,660	8,519	19
1987	70,002	5,871	16,644	34
1988	76,813	6,763	18,316	23
1989	83,169	6,127	17,986	104
1990	127,294	6,602	20,636	5
1991	120,365	5,634	25,763	1
1992	125,237	6,355	20,982	25
1993	139,735	7,173	21,999	5
1994	155,376	7,004	20,850	4

[1]The transition Quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 17
SUMMARY OF PENDING TRADEMARK APPLICATIONS (As of September 30, 1994)

Stage of Processing	*Applications For Regis.*
IN PREEXAMINATION PROCESSING	34,663
UNDER EXAMINATION:	
Amended, awaiting action by Examiner	10,563
Awaiting first action by Examiner	6,706
Awaiting subsequent action (by applicant, on appeal, in adversary proceeding, in clerical processing)[1]	67,205
Total Under Examination	84,474
Total	119,137
IN POSTEXAMINATION PROCESSING:	
(Includes all application in all phases of publication and issue)	63,012
TOTAL IN PATENT AND TRADEMARK OFFICE	182,149

[1]Excludes ITU applications that have received a Notice of Allowance and are awaiting a Statement of Use

Table 18
SUMMARY OF CONTESTED TRADEMARK CASES
(Within the Patent and Trademark Office)

Trademark Trial and Appeal Board	*Ex Parte*	*Cancel*	*Conc. Use*	*Inter-ference*	*Oppos.*	*Total*
Cases Pending as of 9/30/93	1,701	2,124	201	0	6,811	10,837
Cases Filed During FY 1994	1,004	1,055	32	0	3,048	5,139
Disposals During FY 1994:						
Before Hearing	461	583	11	0	2,010	3,065
After Hearing	282	13	0	0	48	343
Total	743	596	11	0	2,058	3,408
Cases Pending as of 9/30/94:						
Awaiting Decision	93	11	1	0	35	140
In Process Before Hearing [1]	1869	2,572	221	0	7,766	12,428
Total	1,962	2,583	222	0	7,801	12,568
Requests for Extension of Time to Oppose						19,231

[1]Includes suspended cases

Table 19
TRADEMARKS REGISTERED, RENEWED, AND PUBLISHED UNDER SECTION 12(c)[1]
(FY 1974 - FY 1994)

Year	*Certificates of Regis. Issued*	*Renewed*	*Published Under 12(c)*
1974	24,838	5,984	54
1975	27,324	5,474	25
1976[2]	28,102	6,914	56
1977[2]	25,026	6,251	21
1978	28,921	5,254	84
1979	22,210	5,404	34
1980	14,614	5,862	54
1981	31,306	5,884	77
1982	39,025	6,070	71
1983	41,179	5,695	74
1984	45,475	5,678	22
1985	63,122	5,177	27
1986	48,971	5,550	29
1987	47,522	4,415	24
1988	46,704	5,884	29
1989	51,802	9,209	84
1990	56,515	7,122	19
1991	43,152	6,416	19
1992	62,067	5,733	13
1993	74,349	6,182	21
1994	59,797	6,136	11

[1]Includes withdrawn numbers.
[2]The Transition Quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 20
UNITED STATES TRADEMARK APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES (FY 1991 - FY 1994)

Residence	1991	1992	1993	1994
Afghanistan	0	0	0	0
Albania	0	1	0	0
Antigua & Barbuda	0	3	1	3
Algeria	0	0	1	0
Anguilla[1]	0	0	1	2
Argentina	41	69	43	57
Aruba	0	0	1	1
Australia	419	457	424	470
Austria	148	202	131	178
Bahamas	19	20	19	41
Bahrain	1	0	0	0
Barbados	38	19	11	64
Belgium	180	143	121	177
Belize	0	0	4	3
Benelux Convention	2	0	4	2
Bermuda	32	31	51	21
Bolivia	1	0	0	1
Botswana	0	0	0	1
Brazil	147	117	137	108
British Virgin Islands	25	83	77	93
Bulgaria	1	1	3	2
Cambodia	3	0	0	0
Canada	3,491	3,294	3,595	4,330
Cayman Islands	13	26	16	24
Channel Islands	25	36	33	31
Chile	26	27	46	29
China (mainland)	101	49	67	97
Colombia	49	25	43	52
Cook Island	0	0	15	0
Costa Rica	17	10	15	19
Croatia	0	0	0	4
Cuba	0	0	0	11
Cyprus	3	2	4	3
Czechoslovakia	21	15	51	34
Denmark	132	121	142	142
Dominica	1	0	0	1
Dominican Republic	4	7	8	5
Ecuador	11	5	10	15
Egypt	3	5	1	0
El Salvador	2	6	7	7
Faroe Islands	0	0	0	1
Fiji	4	0	0	2
Finland	110	112	129	106
France	2,013	1,817	1,484	1,712
French Guiana	2	0	0	0
French Polynesia	1	0	1	4
Germany, Fed. Repuhlic of[2]	1,566	1,982	1,947	1,912
Ghana	0	0	0	0
Gibraltar	2	0	5	2
Greece	17	14	19	21
Grenada	0	0	1	0
Guadeloupe	0	0	1	0
Guatemala	15	5	2	5
Guinea	0	0	0	1
Guyana	2	1	1	1
Haiti	2	3	1	2
Honduras	2	0	17	4
Hong Kong	360	484	319	396
Hungary	18	21	6	23
Iceland	8	9	11	12
India	18	18	23	33
Indonesia	24	18	23	15
Iran	5	1	19	16
Ireland	71	57	64	71
Isle of Man	0	19	11	9
Israel	80	154	173	242
Italy	1,351	964	1,027	952
Jamaica	7	19	14	15
Japan	1,901	1,691	1,780	1,642
Jordan	0	0	0	1
Kazakhstan	0	0	0	2
Kenya	7	0	0	5
Korea, Dem. Republic of	1	0	8	5
Korea, Republic of	207	200	200	376
Kuwait	0	0	0	2
Lebanon	3	3	0	1
Liberia	0	1	0	4
Libya	0	2	0	0
Liechtenstein	40	36	79	36
Luxembourg	36	64	15	60
Macau	0	0	1	1
Malaysia	28	23	26	36
Mali	0	0	0	0
Malta	1	0	1	1
Martinique	0	0	0	1
Mauritius	0	0	0	2
Mexico	242	284	351	435
Micronesia	0	0	1	0
Monaco	17	17	11	13
Morocco[3]	2	0	2	1
N. Mariana Island	0	1	2	0
Namibia	2	1	0	0
Netherlands	623	515	478	632
Netherlands Antilles	52	37	35	20
New Zealand	83	71	143	96
Nicaragua	1	1	0	0
Nigeria	0	0	3	1
Norfolk Island	0	0	1	0
Norway	97	59	112	82
Oman	0	0	0	0
Pakistan	0	6	11	6
Panama	46	35	26	23
Papua New Guinea[4]	0	0	2	0
Paraguay[5,6]	0	1	0	0
Peru	15	19	4	8
Phillippines	6	12	11	13
Poland	6	11	1	10
Portugal	10	37	52	23
Romania	0	3	0	4
Saint Lucia	0	0	0	1
Samoa	0	0	1	0
San Marino	1	1	0	0
Saudi Arabia	5	4	7	6
Scotland	0	27	0	33
Singapore	58	66	97	172
Slovenia	0	0	8	12
Somalia	0	0	1	0
South Africa	52	97	54	99
Soviet Union	43	25	19	40
Spain	308	394	343	312
Sri Lanka	0	11	4	3
Swaziland	0	4	5	1
Sweden	333	389	456	398
Switzerland	777	547	727	908
Syria	0	0	1	0
Taiwan	466	470	460	504
Thailand	62	34	51	31
Trinidad & Tobago	4	7	5	22
Turkey	1	7	11	11
Turks and Caicos Islands	0	1	0	6
Uganda	0	2	1	1
Ukraine	0	1	0	6
United Arab Emirates	2	3	8	4
United Kingdom	1,861	1,705	1,999	2,129
Uruguay	3	10	5	8
Vanuatu	0	4	4	0
Venezuela	171	78	51	25
Vietnam	0	0	0	1
Wales	0	10	0	0
Yugoslavia	20	21	8	1
Zimhahwe	2	1	0	-
Total	18,229	17,521	18,062	19,868

[1]Anguilla filings for FY 1993 corrected to reflect 1 application.
[2]Germany now includes applications filed by residents of the territory which prior to October 3, 1990 was the Democratic Republic of Germany
[3]Morocco filing for FY 1992 corrected to reflect no applications.
[4]Papua New Guinea filings for FY 1993 corrected to reflect 2 applications.
[5]Paraguay filings for FY 1991 corrected to reflect no applications.
[6]Paraguay filings for FY 1992 corrected to reflect 1 application.

Table 21

TRADEMARKS REGISTERED BY THE UNITED STATES TO RESIDENTS OF FOREIGN COUNTRIES (FY 1991 - FY 1994)

Residence	*1991*	*1992*	*1993*	*1994*
Afghanistan	2	0	0	0
Antigua & Barbuda	10	3	1	0
Argentina	14	24	26	21
Australia	225	201	268	196
Austria	67	62	116	82
Bahamas	9	3	14	10
Bahrain	1	1	2	0
Bangladesh	0	0	0	1
Barbados	1	6	5	4
Belgium	106	76	110	64
Belize	1	1	0	1
Benelux Convention	2	6	0	0
Bermuda	2	3	11	16
Bolivia	0	0	0	0
British Virgin Islands	7	9	32	24
Brazil	45	54	67	73
Canada	1,062	1,218	1,680	1343
Cayman Islands	20	12	10	12
Channel Islands[1]	0	3	0	0
Chile	17	14	19	13
China (mainland)	42	31	67	38
Cook Islands	0	0	1	3
Colombia	7	19	33	25
Costa Rica	6	4	6	10
Cuba	3	1	0	4
Cyprus	0	0	2	3
Czechoslovakia	7	6	6	13
Denmark	113	72	79	70
Dominican Republic	3	4	2	3
Ecuador	3	1	4	3
Egypt	0	0	2	2
El Salvador	2	5	4	4
Fiji	0	1	1	0
Finland	42	37	85	57
France	776	828	1,334	797
French Polynesia	1	0	2	0
Germany, Federal Republic of[2]	692	702	1,224	847
Ghana	1	2	0	1
Greece	4	1	8	12
Grenada	1	0	0	0
Guadeloupe	0	0	1	0
Guatemala	10	8	10	0
Guyana	0	0	2	0
Haiti	2	5	0	1
Honduras	0	0	0	1
Hong Kong	83	130	175	160
Hungary	8	8	9	10
Iceland	5	1	9	2
India	4	21	16	26
Indonesia	2	5	7	11
Iran	3	7	4	4
Ireland	28	20	28	35
Isle of Man	0	1	1	0
Israel	24	41	82	70
Italy	595	571	789	469
Jamaica	2	6	10	5
Japan	644	793	1,108	932
Jordan	0	0	0	1
Kenya	0	1	0	1
Kiribati	0	0	5	1
Korea, Republic of	68	83	129	103
Kuwait	0	0	0	0
Lebanon	0	2	7	4
Liberia	2	8	5	3
Libya	0	1	0	1
Liechtenstein	23	15	29	15
Luxembourg	17	6	21	18
Macau	0	0	2	0
Malaysia	2	1	4	9
Malta	1	2	2	0
Mauritius	2	2	0	0
Mexico	68	101	152	137
Monaco	6	4	7	5
Morocco	5	0	0	0
Namibia	0	0	1	0
Netherlands	191	213	350	248
Netherlands Antilles	9	8	14	7
New Zealand	21	31	58	44
Nicaragua	0	0	1	0
Nigeria	0	0	2	2
Norway	30	39	46	41
Oman	0	0	0	0
Pakistan	0	1	3	2
Panama	20	24	31	23
Papua New Guinea	0	0	0	0
Paraguay	0	0	1	0
Peru	3	5	11	8
Philippines	4	3	11	2
Poland	0	6	7	6
Portugal	6	5	25	17
Romania	0	0	1	0
Saint Lucia	0	0	0	1
San Marino	1	0	0	0
Saudi Arabia	0	0	1	2
Scotland	0	1	0	0
Singapore	10	17	28	23
South Africa	10	9	34	24
Soviet Union	16	10	13	4
Spain	135	147	301	197
Spratly Islands	0	0	1	2
Sri Lanka	0	0	1	2
Sweden	98	128	224	192
Switzerland	293	304	486	258
Syria	0	2	2	3
Taiwan	117	223	357	290
Thailand	3	16	29	16
Trinidad & Tobago	2	2	7	8
Turkey	1	6	4	2
Turks and Caicos Islands	0	0	0	1
United Kingdom	738	799	1,113	826
Uruguay	5	1	0	3
Venezuela	27	24	46	25
Vietnam	1	1	2	3
Yugoslavia	6	2	7	6
Zimbabwe	2	1	1	0
Other[3]	0	0	0	2
Total	6,647	7,281	11,054	8,066

[1]FY 1993 data for the Channel Islands was corrected to reflect no applications filed.

[2]Germany now includes applications filed by residents of the territory which prior to October 3, 1990 was the Democratic Republic of Germany.

[3]Country of origin information not available.

Table 22
TRADEMARK SERVICES WORKLOAD
(FY 1994)

	1994
Search Room:	
Copies of New Registrations Filed in Registered File	173,960
Copies of New Drawings Filed in Pending File	341,244
Official Register: Total Updates Stamped on Marks	51,795
Assignments:	
Abstracts of Title	199
Documents Recorded/Processed	81,255
Copies Supplied:	
Public, Other Government Agencies and USPTO	25,641
Certified Documents[1]	35,532
Status Copies[2]	218
Total Files Processed[3]	267,371

[1]Includes documents certified by the Trademark organization through 7/5/94. Due to the PTO reorganization in FY 94, Trademarks no longer provides certified documents.
[2]Status copies provided by Trademarks through 7/5/94. Due to the PTO reorganization in FY 94, Trademarks no longer no longer provides status copies.
[3]The number of trademark files provided from the PTO File Repository to the public and the PTO, new issues filed, and abandonments filed.

Table 23
PATENT SERVICES WORKLOAD
(FY 1994)

Search Room:	
New Patents and Cross References Filed	351,201
Reclassified Patents Filed	493,825
Assignments:	
Abstracts of Title	507
Documents Recorded/Processed	185,840
Copies Supplied:	
Foreign Exchange Programs [1]	16,935,557
Patent and Trademark Depository Libraries	14,836,758
Public, Other Government Agencies and USPTO	955,195
Advance Orders	703,549
Certified Documents	108,978
Total Files Processed[2]	572,075

[1]Includes copies of patents disseminated on paper, microfilm, and CD-ROM.
[2]The number of patent files provided from the PTO File Repository and the Federal Record Center to the public and the PTO, new issues filed, and new abandonments filed.

Table 24
ACTIONS ON PETITIONS TO THE COMMISSIONER OF PATENTS AND TRADEMARKS
(FY 1993 - FY 1994)

Nature of Petition	*1993*	*1994*
PATENT MATTERS		
Acceptance of:		
Amendments Filed After Payment of Issue Fee	76	52
Late Assignments	54	52
Late Issue Fees	893	1,068
Late Priority Papers	57	75
Access	63	82
Certificates of Correction	21,040	26,268
Deferment of Issue	32	45
Filing Date	1,105	3,195
Interference	1	1
Make Special:		
Infringement/Manufacture	210	151
Other	1,073	1,026
Miscellaneous	2,653[1]	3,323
Maintenance Fees	752	942
Public Use	3	4
Reexamination Proceedings	74	90
Restriction	61	73
Revivals	3,322	4,173
Rule 47 (37 CFR 1.47)	279	590
Supervisory Authority	879	567
Suspend Rules	194	780
Withdrawal of Attorney	567	635
Withdrawal from Issue	662	603
Change of Inventorship	520	849
Withdrawals of Holding of Aband./Pat. Lapse	1,785	1,812
Total Actions of Patent Petitions	36,355[2]	46,456
TRADEMARK MATTERS		
Affidavits of Use and Extensions	71	140
Decision by Examiner	0	14
Grant Application Filing Date	51	63
Interferences	2	1
Make Special	30	52
Miscellaneous	16	0
Oppositions and Extensions	18	13
Record Documents Affecting Title	5	0
Restore Jurisdiction to Examiner	5	11
Review Board Decisions	9	13
Revive	562	709
Sections 7 Correction/Amendment	10	20
Section 9 Renewal	7	9
Section 8 or 15	52	37
Waive Fees/Refunds	41	25
Total Actions on Trademark Petitions	879	1,107
PETITIONS AWAITING ACTION AS OF 9/30/93		
Patent Matters	15,671[3]	404
Trademark Petitions Awaiting Response	202	60
Trademark Petitions Awaiting Action	183	104

[1]FY 1993 data includes petitions under Rule 28 (37 CFR 1.28)
[2]FY 1993 Total Actions on Patent Petitions corrected.
[3]FY 1993 data includes pending Certificates of Correction

Table 25
CASES IN LITIGATION
(Selected Courts of the United States)

Courts of the United States	*Pat*	*TM*	*Total*
SUPREME COURT			
Ex Parte Cases			
Cases Pending as of 9/30/93	0	0	0
Cases Filed During FY 94	1	0	1
Total Pending Filed	1	0	1
Disposals:			
Certiorari Denied	0	0	0
Certiorari Dismissed	0	0	0
Certiroari Granted-Affirmed	0	0	0
Certiorari Granted-Reversed	0	0	0
Total Disposals	0	0	0
Total Cases Pending as of 9/30/94	1	0	1
UNITED STATES DISTRICT COURTS[1]			
Civil Actions Pending as of 9/30/93	22	4	26
Filed During FY 94	10	1	11
Total Pending and Filed	32	5	37
Disposals:			
Affirmed	2	0	2
Modified	0	0	0
Reversed	0	0	0
Remanded	2	0	2
Dismissed	14	4	18
Amicus/Intervene	0	0	0
Examiner Testimony	0	0	0
Transfer	0	0	0
Total Disposals	18	4	22
Total Civil Actions Pending as of 9/30/94	14	1	15

[1]Civil actions in which the Commissioner participated as a party or amicus.

Table 26
CASES IN LITIGATION
(Selected Courts of the United States)

	Ex Parte		*Inter Partes*		
	Pat	*TM*	*Pat*	*TM*	*Total*
UNITED STATES COURT OF APPEALS[1]					
Cases Pending as of 9/30/93	48	5	29	44	126
Cases Filed During FY 94	49	5	7	7	68
Total Pending and Filed	97	10	36	51	194
Disposals:					
Affirmed	29	2	3	1	35
Modified	2	0	1	0	3
Reversed	10	0	3	3	16
Remanded	0	1	0	0	1
Dismissed	17	3	3	2	25
Amicus/Intervene	2	0	2	0	4
Examiner Testimony	0	0	0	0	0
Transfer	1	0	0	0	1
Writs of Mandamus:					
Granted	0	0	0	0	0
Granted-in-Part	0	0	0	0	0
Denied	1	0	0	0	1
Dismissed	0	0	0	0	0
Total Disposals	62	6	12	6	86
Total Cases Pending as of 9/30/94	35	4	24	45	108

[1]Includes Federal Circuit and Others

Table 27
CASES IN LITIGATION [1]
(Other Jurisdictions-Reported Cases)

Month	*Patent Suits*	*Trademark Suits*
October (1993)	101	91
November	97	103
December	101	81
January (1994)	82	83
February	82	94
March	122	125
April	59	63
May	85	86
June	100	141
July	85	115
August	86	91
September (1994)	66	79
Total for FY 1994	1,066	1,152

[1]Notices received pursuant to 35 U.S.C. 290 and 15 U.S.C. 1116 for both suits filed and decisions.

GLOSSARY OF OFFICE SPECIFIC TERMS

ALLOWANCE: examiners determine whether a patent can be allowed by searching prior art, which includes previously issued U.S. and foreign patents and non-patent literature to help determine whether the claimed invention complies with the patent statutes and court decisions.

FTE: Full Time Equivalent - equal to one year of one full time staff person.

PATENT APPLICATION: a request from a user for a patent to be granted by the United States Patent and Trademark Office.

PATENT APPLICATION, EXAMINED: to determine the qualifications of patent applications requesting the granting of patents. To determine whether the invention is new, useful and non-obvious to someone knowledgeable in the subject matter.

PATENT APPLICATION, DISPOSED (DISPOSAL): patent examiner completes action on the application.

PATENT APPLICATION, ISSUED (ISSUANCE): patent application issued or granted as a patent.

PATENT APPLICATION, WITHDRAWAL (ABANDONED): to surrender one's claim or right to a request for a patent to be granted.

PATENT PENDENCY: average time in months from filing to either issuance or abandonment.

TRADEMARK: a word, phrase, symbol, design, or combination thereof, that identifies and distinguishes the source of goods or services of one party from those of another.

TRADEMARK APPLICATION: application for federal registration of a mark filed at the United States Patent and Trademark Office.

TRADEMARK APPLICATION, EXAMINED: review of application for compliance with the Trademark Act.

TRADEMARK APPLICATION, DISPOSED: an application that is registered or abandoned.

TRADEMARK APPLICATION, ABANDONED: termination of examination for failure to respond to an examination letter, because of a judicial decision, or by request of applicant.

TRADEMARK APPLICATION, REGISTRATION: issuance of a certificate of registration by the United States Patent and Trademark Office.

TRADEMARK PENDENCY: average time in months from filing an application to mailing the first examination letter, and average time in months from filing to registration, issuing a notice of allowance or abandonment.

Budget and Accounting Terms and Definitions

ACCOUNT: Something for which appropriations are made in an appropriation act. For spending that is not provided in an appropriations act, an account is an item for which there is a designated budget account identification number in the President's Budget.

ACCOUNTS PAYABLE: Amounts owed to an account other than your own for goods and services purchased. Such amounts include disbursements owed to others.

ACCOUNTS RECEIVABLE: Amounts owed to an account for goods furnished and services rendered. Such amounts include reimbursements earned and refunds receivable.

APPROPRIATION: An act of Congress that allows federal agencies to incur obligations and make payments from the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorized bill.

AUTHORIZATION (Authorizing Legislation): An act of Congress that establishes or continues a federal program or agency either for a specified period of time or indefinitely; specifies its general goals and conduct; and usually sets a ceiling on the amount of budget authority that can be provided in an annual appropriation. An authorization for an agency or program usually is required before an appropriation for that same agency or program can be passed.

BUDGET AUTHORITY: The authority granted to a federal agency in an appropriations bill to enter into commitments that result in immediate or future spending. Budget authority is not necessarily the amount of money an agency or department actually will spend during a fiscal year, but merely the upper limit on the amount of new spending commitments it can make. The three basic types of budget authority are appropriations, borrowing authority and contract authority.

BUDGET RECEIPTS: Amounts received by the federal government from the public that arise from:

> The exercise of governmental or sovereign power (consisting primarily of tax revenues, but also including receipts from premiums of compulsory social insurance programs, court fines, certain license fees, and the like).
>
> Premiums from voluntary participants in federal social insurance programs (such as deposits by States for unemployment insurance and for social security for their employees) that are closely related to compulsory social insurance programs.
>
> Gifts and contributions.
>
> Excluded from budget receipts are offsetting receipts, which are counted as deductions for budget authority and outlays rather than as budget receipts.

CARRYOVER: The unobligated amounts at the end of a fiscal year for unexpired accounts.

CASH BASIS OF ACCOUNTING: A method of accounting in which revenue is recognized at the time the payment is received and costs are considered incurred at the time the payment is made.

COLLECTIONS: Any moneys received by the government. Depending upon the nature of the transaction, collections may be treated as budget receipts, offsetting receipts refunds, or credits to a deposit fund.

DEOBLIGATION: A downward adjustment of previously recorded obligations. This may be attributed to cancellation of a project or contract, price revision, or corrections of amounts previously recorded as obligations.

DEPOSIT FUNDS: Accounts established to facilitate the accounting for collections that are either (a) held in suspense temporarily and later refunded or paid into some other fund of the Government upon administrative or legal determination as to the proper disposition thereof or (b) held by the Government as banker or agent for others and paid out at the discretion of the depositor.

EXPENDED APPROPRIATION: The amount of expenditures (outlays) during the current fiscal year net of refunds to the appropriation made from general funds, special funds, and trust funds.

EXPENDITURE: Actual spending, generally interchangeable with outlays.

FISCAL YEAR (FY): Any yearly accounting period. The fiscal year for the federal government begins October 1 and ends on September 30.

LIABILITY: Accounts owed for items received, services rendered, expenses incurred, assets acquired, construction performed, and amounts received but not as yet earned.

INTRAGOVERNMENTAL REVOLVING FUND ACCOUNTS: Funds authorized by law to carry out a cycle of intragovernmental business-type operations. These funds are credited with offsetting collections from other agencies and accounts.

OBLIGATIONS: Spending commitments by the federal government that will require outlays either immediately or in the future.

OBLIGATED BALANCE: The amount of obligations already incurred for which payment has not yet been made. This balance can be carried forward indefinitely until the obligations are paid.

OFFSETTING COLLECTIONS: Money received by the government as a result of business-type transactions with the public (sale of goods and services) or as a result of a payment from one government account to another.

OFFSETTING RECEIPTS: Money collected by the federal government that is deducted from budget authority and outlays because it comes from market-oriented government activities or intragovernmental transactions.

RECEIPT ACCOUNTS: Accounts established for recording collections deposited into the Treasury for appropriation by the Congress. These accounts may be classified by the Congress.

REIMBURSEMENTS: Sums received by the government for commodities sold or services furnished either to the public or to other government accounts that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

UNEXPENDED BALANCE: The amount of budget authority unspent and still available for conversion into outlays in the future; the sum of the obligated and unobligated balances.

UNOBLIGATED BALANCE: The portion of budget authority that has not yet been obligated. In one-year accounts the unobligated balance expires (ceases to be available for obligation) at the end of the fiscal year. In multiple-year accounts, the unobligated balance may be carried forward and remain available for obligation for the period specified. In no-year accounts the unobligated balance is carried forward indefinitely until specifically rescinded by law or until the purposes for which it was provided have been accomplished.

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